Empirical assessment of International Financial Reporting Standards adoption in Cambodia

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Sophanith Lay

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Abstract

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The need to have unity in reporting the financial performance of firms for better international business transactions promotes the idea of having one set of financial reporting standards that will help investors easily compare the financial positions of companies from different countries. This idea gave rise to International Accounting Standards (IAS), in 1973, and the International Financial Reporting Standards (IFRS Standards), in 2001, with the prime purpose of enhancing transparency, strengthening accountability, and promoting the economic efficiency of financial reporting across the globe.

Many countries worldwide have moved to adopt IFRS standards to benefit from the enforcing of global standards. To date, there are 125 of 149 jurisdictions that require the IFRS to be used for all, or most, publicly accounting entities, while the rest permit their usage. However, there have been a series of delays in implementing IFRS for public accounting entities, such as banks, microfinance, insurance, and so the compliance level for them is relatively low. There have been reports about the challenges in IFRS adoption in Cambodia, but there have been no empirical studies assessing the adoption of IFRS in Cambodia.

This study evaluates IFRS adoption in Cambodia and investigates companies' characteristics, challenges, and the effects of industry type on their decision to adopt the IFRS standards. This study used a survey questionnaire to collect data from publicly accounting and non-publicly accounting companies in Cambodia. The study used the chi-square test, t-test, and exploratory factor analysis (EFA); logistic regression was then used to analyse the data.

The results showed that some companies' characteristics significantly influenced their adoption of IFRS. Specifically, company size, as measured by total sales, training, and foreign ownership, inhibited IFRS adoption. The results identified challenges, such as the companies' readiness to adopt IFRS,

confusion with other regulatory requirements, and the valuation of accounting items, negatively influenced IFRS adoption in Cambodia. The results also showed differences in industry effects. The sample companies that operated in the financial industry were less likely to adopt IFRS. The study's results are consistent with previous studies on IFRS adoption in different countries, with minor differences due to specific conditions for IFRS adoption in Cambodia. For example, the finance industry is less likely to adopt IFRS, is partly due to the postponement of IFRS implementation to 2019.

This study provides a better understanding of the IFRS adoption process and challenges that could be useful for IFRS standard setters. The results of this study could assist accounting bodies in Cambodia make informed decisions when allocating their effort and limited resources to improve the financial reporting environment and increase the IFRS compliance rates. The results of this study suggest that accounting regulators should focus on investigating the differences in the tax basis of accounting and IFRS to reduce the differences of the companies in complying to adopt IFRS. Based on the finding that the foreign owned companies are more likely to adopt IFRS, the accounting regulator could further investigate into the cause higher likelihood of IFRS adoption among foreign-owned companies. Thus, they can use their result as the input to formulate the policies to increase the IFRS adoption among the local companies. The results could also help publicly and non-publicly accounting companies in Cambodia prepare themselves to comply with IFRS adoption by providing accounting training to their staff to ensure they are capable of carrying out accounting duties when the companies adopt IFRS.

Keywords: International Financial Reporting Standards (IFRS), accounting, Cambodia, challenges, adoption.

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Table of Contents

List of Tables

List of Figures

List of Abbreviations

ADB	Asian Development Bank
ACCA	Association of Chartered Certified Accountants
CSX	Cambodia Securities Exchange
CAT	Certified Accounting Technicians
CPA	Certified Public Accountants
EFA	Exploratory Factor Analysis
FASMEC	Federation of Associations of Small and Medium Enterprises of Cambodia
IASB	International Accounting Standards Board
IASC	International Accounting Standards Committee
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IOSCO	International Organisation of Securities Commission
MEF	Ministry of Economy and Finance
MFI	Micro Finance Institutions
MOP	Ministry of Planning
NAC	National Accounting Council
SME	Small and Medium Sized Enterprises

Chapter 1

Introduction

This chapter provides an overview of the research. The research background, a discussion on the adoption of International Financial Reporting Standards (IFRS), and challenges of IFRS adoption in Cambodia, are presented in Section 1.1. Section 2.2 presents the problem statements for this study. Section 1.3 presents the research questions and the hypotheses of this study. Section 1.4 describes the methods that will be used in this study, followed by the significance of this study, in Section 1.5. Section 1.6 discusses the structure of this study.

1.1 Background

1.1.1 Background of IFRS

The idea of using a single, global, financial reporting standard template seems ideal for many accountants and investors. Having uniform standards for accounting will help to reduce unnecessary expenses in providing supplementary information for users of financial information (Madawaki, 2012). To reduce the differences in accounting standards between countries, the International Accounting Standard Committee (IASC) was created, in 1973, by professional accounting bodies in Australia, Canada, France, Germany, Japan, Mexico, the Netherlands, the United Kingdom and Ireland, and the United States (Ball & Damant, 2006). Their aims were to decrease the inconsistencies in international accounting principles and reporting practices (Madawaki, 2012). The standards produced by IASC are known as the International Accounting Standards (IAS). In April 2001, the International Accounting Standard Board (IASB) was created to take control over the setting of international accounting standards, known as the International Financial Reporting Standards (IFRS), from IASC (Madawaki, 2012), although it continues to recognise the existing IAS as issued by IASC. The three main purposes of the IFRS are to enhance transparency, strengthen accountability and contribute to the economic efficiency of financial reporting (IFRS Foundation, 2016b).

Considering IFRS as the global accounting standard is subject to debate between two schools of thought. One view favours IFRS adoption because it is believed that its adoption will yield superior accounting standards in comparison to domestic accounting standards (Barth, 2008). On the one hand, the convergence of a single accounting standard improves firms' comparability and enhances the information from these firms, and this contributes to lower capital costs. On the other hand,

Dvořák and Vašek (2015) argue that it is not correct to call IFRS a global standard as the IFRS is primarily intended for listed companies, which represent only part of all existing companies. Likewise, having superior accounting standards does not directly mean having a higher reporting quality (Ball & Damant, 2006). Ball and Damant (2006) believe that economic and political forces also play an important role in shaping reporting quality.

In regard to the two opposing views, above, Bova and Pereira (2012) believe that these views are not mutually exclusive. Although the IFRS may contribute to lower capital costs and improve information about the firms, it does not guarantee all firms fully comply with the IFRS. Similarly, the difference in levels of compliance does not mean that the information environment is not improved. These ideas motivate many researchers to invest their time and effort into studying the adoption and compliance of IFRS in different jurisdictions.

The expected benefit of having a global accounting standard encouraged many countries to adopt IFRS. The decision to require all listed companies to adopt IFRS by the European Union, in 2005 was one of the milestones on the IFRS journey (Uyar, Kılıç, & Ataman Gökçen, 2016; Zehri & Chouaibi, 2013). Later, this influenced other countries like Australia, Canada, Brazil, and many other countries to follow (André, Walton, & Yang, 2012). As a result, there are 125 of 149 jurisdictions that require the IFRS to be used for all, or most, publicly accounting entities while the rest permit their use (IFRS Foundation, 2016b).

1.1.2 Cambodian Accounting System

The year 1991 marked significant progress in Cambodia. The Paris Peace Agreement was signed, which ended the long civil war in Cambodia. The Paris Peace Agreement enabled Cambodia to resume its relationship with various international institutions, such as the World Bank (WB), the International Monetary Fund (IMF) and the Asian Development Bank (ADB). The opening of the economy to the world had major impacts on its business environment, including accounting and auditing practices among other business entities (Yapa & Jacobs, 2010). The role of the Ministry of Economy and Finance changed from not only regulating the State but also formulating a legal and financial framework for the private sector (Yapa, Jacobs, & Huot, 2016). In addition, with the help of its former coloniser, France, the MEF set a Chart of Accounts for public and private sector accounting systems and guidelines for financial statements. The National Accounting Council (NAC) and the Kampuchea Institute of Certified Public Accountants and Auditors (KICPAA) were created by the Law on Corporate Accounts, their Audit and the Accounting Profession, in 2002 (D. Seng, 2009; Yapa & Jacobs, 2010; Yapa et al., 2016). The NAC is the part of MEF responsible for the development of the

framework and standards relating to accounting standards and its analysis as well as reviewing accounting standards and regulations. It consists of representatives from different ministries, KICPAA, the National Bank of Cambodia, academia, and businesses. However, it does not have a clear mandate to monitor and enforce the application of accounting standards in Cambodia (World Bank & International Monetary Fund, 2007). KICPAA is the only professional accounting body that organises professional training, endorses and advocates the status and concerns of the profession, and supervises the quality assurance of the members (D. Seng, 2009; Yapa et al., 2016).

1.1.3 Adoption of IFRS in Cambodia

In the age of international business and global flows of finance, the national accounting system in a particular country no longer satisfies the needs of its users. This is because some domestic information may not be fully relevant to investors. Therefore, the need to adopt an accounting system compatible to the global environment that meets the new necessities of decision makers motivates accounting bodies to look for sources of improvement and enhancement in financial accounting and its key outputs (Zeghal & Mhedhbi, 2006). In recognising the need to have internationally recognised accounting regulations for the country, Cambodia adopted the International Financial Reporting Standard.

In 2009, the MEF issued ministerial directive No. 68 MEF.BK requiring entities that are subject to external statutory audits to use IFRS, including the interpretations and the amendments, and the exact date of implementation would be specified by an announcement issued by the National Accounting Council (Barnett, 2016).

In August 2009, the announcement of the introduction of Cambodia International Financial Reporting Standards (CIFRS/IFRS) and Cambodia International Financial Reporting Standards for Small and Medium Entities (CIFRS for SMEs/IFRS for SMEs) by the NAC, declared that the implementation of CIFRS for SMEs and CIFRS would start on 1 January 2010 and 1 January 2012, respectively. However, the implementation of CIFRS for financial institutions in 2012 was postponed to a new date of 1 January 2016. Another announcement, made in 2016, states that the implementation of CIFRS for banks, microfinance institutions, and insurance companies begins on 1 January 2019.

According to the IFRS Foundation (2016a), how the IFRS adoption in Cambodia is worded, means all new standards, amendments and interpretations are spontaneously adopted without any further adoption or endorsement.

1.1.4 Report on Challenges of IFRS adoption

There are five main challenges to implementing the IFRS, as reported by the NAC. The first challenge is that the managers and owners of the firms are only interested in cash-basis information and consider the IFRS a waste of time and resources. The lack of skilled staff was also reported by the NAC. The cost of IFRS adoption being too high for small banks, microfinance institutions (MFI) and small companies, is another challenge. Another challenge reported was that there were differences between IFRS and the tax basis of accounting. The firms also reported that they were reluctant to comply with IFRS due to the lack of regulatory action (Barnett, 2016). The World Bank and International Monetary Fund (2007) reported that the challenges in accounting education and training lacked an emphasis on the skills needed for conducting professional duties.

1.2 Problem Statement

Current understanding about the adoption of IFRS in Cambodia is very limited. Following the adoption of IFRS in Cambodia, there have been very few reports about the adoption of IFRS. To the best of our knowledge, there has not been any empirical research undertaken about IFRS adoption in Cambodia. There are some issues relating to IFRS adoption that are evident in Cambodia. A succession of postponements for its implementation by the financial and insurance sectors and the high level of non-compliance from eligible companies shows the need for research in this area. This study investigates the adoption of IFRS in Cambodia. It identifies the characteristics of Cambodian companies that adopt versus those which do not adopt IFRS, and the factors associated with these challenges and their impacts on companies' decisions to adopt IFRS. The study further explores the impact of industry types on the IFRS adoption. Little is known about the impacts of the firm's characteristics, the challenges, and the industry types on the adoption of IFRS in Cambodia.

The research objectives of this study are:

1. To identify the characteristics of Cambodian firms (financial and non-financial) that choose to adopt or not adopt IFRS.

2. To investigate the factors associated with the challenges of IFRS adoption in Cambodia from the firms' perspectives.

3. To examine the effect of IFRS in the preparation of financial statements in different industries in Cambodia.

1.3 Research Questions

The research questions are:

Research Question 1: What are the characteristics of the firms that choose to adopt or not adopt IFRS in Cambodia?

Research Question 2: What are the challenges in adopting IFRS in Cambodia from the firms' perspectives?

Research Question 3: What are the effects of industry type on IFRS adoption in the Cambodia financial reporting environment?

1.3.1 Research Hypotheses

Characteristics of Companies

Previous studies from André et al. (2012), Edeigba (2017), and Uyar et al. (2016), reported that a company's characteristics influence its adoption of IFRS. The following hypotheses are developed to answer research question 1.

H1: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of company size, as measured by the number of employees.

H2: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of company size, as measured by current assets.

H3: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of company size, as measured by total sales.

H4: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of the company's listing status.

H5: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of the company's accounting training offered to employees.

H6: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of the company's foreign ownership status.

H7: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of the company's auditor type.

H8: There is no significant difference in the publicly and non-publicly accounting companies for IFRS adoption in terms of the company's foreign trade status.

Challenges of IFRS Adoption

There have been some reports on the challenges of IFRS adoption in Cambodia. However, these claims have never been empirically tested. Research question 2 in this study empirically tests the relationships between these challenges and IFRS adoption in Cambodia. The following relationship is hypothesised:

H9: There is no relationship between IFRS adoption and the challenges of IFRS adoption.

The Effect of Industry

Previous studies by Christensen, Lee, and Walker (2007), Cooke (1989) and Edeigba (2017) found a significant relationship between the industry type in which the company operates and the decision to adopt or not to adopt IFRS. To assess the effect of industry type on IFRS adoption in Cambodia, the following relationship is hypothesised:

H10: There is no significant difference in the publicly and non-publicly accounting companies towards IFRS adoption in terms of industry type.

1.4 Significance of the Study

The results of this study will contribute to accounting bodies' decision making about the adoption and implementation of IFRS in Cambodia. Similarly, this study will contribute to each developing country's literature as there have been few studies undertaken in developing countries. This study examines the challenges from IFRS adoption in the context of Cambodia's accounting environment with a unique dataset in terms of firm-specific measurements about IFRS adoption that resembles developing countries with high economic growth rates but limited enforcement resources. Understanding the challenges that firms face in the IFRS adoption process will be useful not only for the adopters but also for financial standard setters and future adopting countries. The findings of this study will also support the financial reporting regulatory system in Cambodia and identify the challenges in IFRS adoption from the firms' perspectives. The findings of this study could also support the development of effective IFRS adoption strategies. Regulators could use the results of this study to structure appropriate policies toward IFRS adoption and enforcement in Cambodia. Further, the study will provide users of financial statements with an understanding of the factors

that influence financial reporting and the decisions of preparers of financial statements about whether to adopt IFRS requirements or not.

1.5 Summary of the Findings

The findings of this study could be classified into threefold based on the research objectives. First, this study has identified three company characteristics that impact IFRS adoption among the sample companies, namely the company's size as measured by total sales, training, and foreign ownership. This means that the larger companies are more likely to adopt IFRS than the smaller companies with regard to their total sales. Also, the sample companies that provide accounting training to their employees are more likely to adopt IFRS in comparison to the sample companies that did not. Further, the companies that are owned partially or fully by the foreigner(s) are more likely to adopt IFRS. Secondly, the study has identified three challenges of IFRS adoption which are the companies' readiness to adopt IFRS, the confusion between IFRS and other regulatory requirements, and the valuation of accounting items. Lastly, this study found that only the financial industry is significantly influenced by IFRS adoption, while the rest of the industry is not.

1.6 Structure of the Thesis

This thesis is organised as follows: Chapter 2 discusses Cambodia's financial reporting environment and IFRS adoption. Chapter 3 discusses previous studies about the characteristics of the firms that adopt IFRS, the challenges of IFRS adoption, and the effects of industry type on the adoption of IFRS. Chapter 4 presents the methods and data, followed by the descriptive statistics in Chapter 5. The empirical results are discussed in Chapter 6. The conclusions and recommendations for IFRS stakeholders and suggestions for future study are presented in Chapter 7.

Chapter 2

Cambodian Financial Reporting Environment and IFRS Adoption

This chapter provides a brief background of the Cambodian financial reporting environment and reported challenges from the adoption of IFRS in Cambodia. Section 2.1 describes the geographical, political and economic boundaries of Cambodia. Section 2.2 discusses the accounting systems in Cambodia and includes a brief history of Cambodian accounting, the development of the accounting standards, the adoption of IFRS, and the challenges of IFRS its adoption. Section 2.3 summarises the chapter.

2.1 Geographical, Political and Economics Boundaries of Cambodia

Cambodia is located in Southeast Asia and measures about 181,035 square kilometres. It shares borders with Thailand, Lao People's Democratic Republic, Vietnam, and the Gulf of Thailand, to the west, north, east, and south, respectively (refer to Figure 2.1). Cambodia had an estimated population of 15.7 million people in 2018 (World Bank Group, 2018). There are 24 provinces, with Phnom Penh as the capital city. Cambodia is a constitutional monarchy with a liberal multi-party democracy system.

Cambodia's economic growth was estimated to be around 6.8 and 7 per cent in 2016 and 2017, respectively, making it the fastest growing country in East Asia in 2017 (World Bank Group, 2018). Key drivers of growth in 2017 were the textile sector, the footwear sector, other non-textile and apparel manufacturing sectors, growth in the construction sector, and the tourism and the agriculture sectors. Textile and apparel exports have recovered after some moderation during the first six months of 2017 and the tourism and agriculture sectors have recovered from the gradual moderation of the last two or three years. This progress is expected to continue to be strong at around 6.9 per cent in 2018 (World Bank Group, 2018).

After the general election, in 1993, the Royal Government of Cambodia (RGC) started to formulate extensive macroeconomic reforms and made some significant progress in stabilising the economy (Yapa & Jacobs, 2010). Cambodia is a member of many international associations and organisations. Cambodia joined the Association of Southeast Asian Nations (ASEAN) in 1998 (Association of Southeast Asian Nations, 2019). On 13 October 2004, Cambodia was accepted as a member of the World Trade Organisation (World Trade Organization, 2019). The kingdom is also a member of a number of other international organisations, including the United Nations and its specialised bodies.

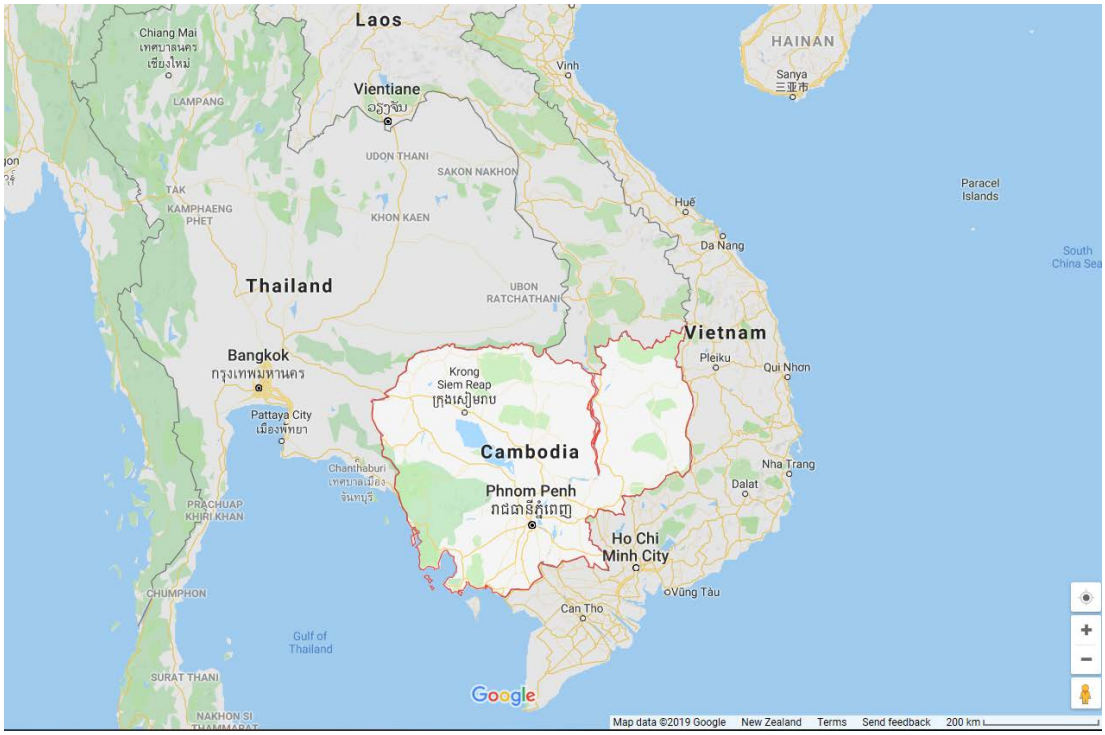

Figure 2-1 Cambodian Territorial Map adapted from Google Maps, 2019

2.2 History of Accounting System in Cambodia

The history of Cambodian accounting is classified into seven main periods, which reflect the various societal and institutional systems that could have impacted on its accounting practices (Yapa et al., 2016). The first period covers the time before French colonisation and during colonisation (1863 to 1953). The second period is the independence period between 1953 and 1970. The third period is during the era of the Republic of Kampuchea, which led to the Military Coup Government backed by the US. The fourth period (1975-1979) is during the time of the Khmer Rouge. The fifth period, between 1979 and 1993, includes the two main eras of Soviet-style administration under Vietnamese influence (1979-1989) and the communist regime of Cambodia (1989-1991). The sixth period, in which major changes in accounting took place in the new Kingdom of Cambodia, is from 1991 to the present.

The Western accounting system in Cambodia was introduced by the French in the 19th century to support its colonial rule (Yapa & Jacobs, 2010; Yapa, Jacobs, & Hout, 2010; Yapa et al., 2016). However, it was not a properly completed and fully functioning accounting system, as the French only sent a few accountants to Cambodia mainly to look after product trading with the sole purpose of gaining benefits for France. Furthermore, professional education and training were restricted and neglected as there was no demand. The second phase for accounting development, the French accounting system and a General Accounting Plan, was adopted by the Ministry of Economy and

Finance (MEF) for government administration purposes and its financial affairs. Businesses were obligated to prepare their financial statements based on a French accounting model (Hout, Yapa, & Jacobs, 2007; Yapa & Jacobs, 2010; Yapa et al., 2016). The third period is marked by the regime changing from a constitutional monarchy to a republic. Despite influence from the US on the Republic of Kampuchea, there was no indication of an American influence on the accounting system in Cambodia but many professionals, including accounting professionals, fled Cambodia for fear of civil war (Yapa et al., 2016). After the Republic of Kampuchea collapsed, in 1975, during the Khmer Rouge period (1975-1979), and despite the survivors and the head of state of Khmer Rouge saying there was no accounting system in the regime, Yapa et al. (2016) stated that it was wrong to say there were no accounting systems, as the administration needed an accounting system to implement the four-year plan effectively. However, the main issue was the deficiency in accounting skills because the regime did not survive long enough to introduce a proper and fully functioning accounting framework and system.

Between 1979 and 1991, Cambodia practised Soviet accounting methods because Cambodia was a communist country. The MEF was re-established in 1980 and created a number of new laws and regulations for accounting, finance, budgeting and taxation. The foundation of the accounting system is the so-called "matching target revenue against target expenditure", a typical double-entry system (Hout et al., 2007; Yapa et al., 2016). In 1982, a complete public sector accounting system for all government departments and units was established. The accounting development was enhanced by the creation of an Accounting Department within the MEF which, later, produced three codes of accounts for commercial, industrial and construction companies (Hout et al., 2007; Yapa et al., 2016). Accounting officers in Cambodia during that period received training from socialist countries, such as Vietnam and Soviet Russia, and, thus, the accounting system in Cambodia in that period was adopted purely from the Soviet-style socialist accounting system (Yapa & Jacobs, 2010).

The last stage of accounting transition has taken place from 1991 to the present when Cambodia was no longer isolated from the international community (Yapa et al., 2016) Cambodia had resumed its relationships with various international establishments, such as the World Bank (WB), the International Monetary Fund (IMF), and the Asia Development Bank (ADB). The opening of the Cambodian economy to the world has had significant impacts on its business environment; for example, accounting and auditing practices among business entities (Yapa & Jacobs, 2010). The role of the MEF transformed from just controlling the State to also formulating a statutory and monetary framework for the private sector (Yapa et al., 2016). In addition, with the help of its former coloniser, France, the MEF set a Chart of Accounts for private and public sector accounting systems

and guidelines for financial statements. Thus, this indicates French influence on the accounting system in Cambodia. With the recommendation from its French counterpart, the National Accounting Council (NAC) and the Kampuchea Institute of Certified Public Accountants and Auditor (KICPAA) were created by the Law on Corporate Accounts, their Audit and the Accounting Profession 2002 (D. Seng, 2009; Yapa & Jacobs, 2010; Yapa et al., 2016).

2.2.1 Development of Accounting Standards in Cambodia

The initial development of accounting standards in Cambodia took place in the last stages of the accounting transition, from 1991 onwards. In 1993, the General Accounting Plan applying to all sectors was introduced by MEF (Yapa & Jacobs, 2010). The General Accounting Plan includes the Chart of Accounts, a list of accounts to be referred to, accounting treatments, and regulations and instructions for the presentation of financial statements (Yapa & Jacobs, 2010).

In 1999, the Research Committee for International Accounting Standards was created to look for suitable international standards for Cambodia to adopt. In 2002, the Law on Corporate Accounts, their Audit and Accounting Profession was promulgated. This law gave birth to two crucial institutions, NAC and KICPPA (Figure 2.2). KICPAA is the only professional accounting society that organises skilled training, endorses and advocates the prestige and concerns of accounting occupations and supervises the quality assertions of the members (D. Seng, 2009; Yapa et al., 2016).

The National Accounting Council is a part of the MEF. According to the Law on Accounting and Finance 2016, NAC has many responsibilities such as:

- Formulating, updating and approving the draft of accounting standards, auditing standards, rules and regulations on the enforcement of accounting standards and standards of auditing.
- Making decisions regarding professional licensing for accounting and auditing.
- Formulating, validating and implementing the rules and legal procedures for monitoring and controlling the implementation of the guidelines for accounting and auditing that are in effect.
- Inspecting and settling accounting and auditing claims and disputes.
- Taking corrective measures or administrating punishment for the abuse of accounting and auditing regulations.
- Representing the MEF for judicial claims or conflicts related to accounting and auditing.
- Governing and promoting the accounting and auditing sector.
- Inspecting, monitoring and assessing strategic plans and their execution, and works of the accounting and auditing professional bodies.

- Representing the Kingdom of Cambodia on international and national stages regarding accounting and finance (Law on Accounting and Audit 2016).

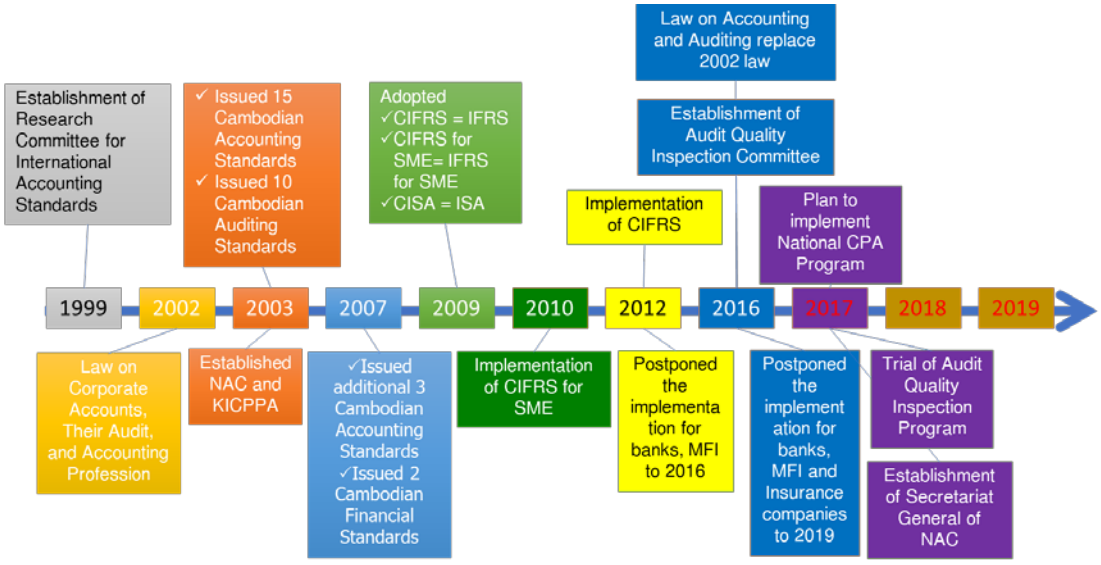

Figure 2-2 Summary of the Development of the Accounting Sector in Cambodia (source: Bou, 2018, September 26, p. 4)

In 2003, NAC issued fifteen Cambodian Accounting Standards and ten Auditing Standards, which were principally sourced from the International Accounting Standards and issued by the International Accounting Standards Committee (IASC). In addition to the previous standards, in 2007, NAC issued another three Cambodian standards and two Cambodian Financial Standards. In 2009, NAC formally adopted IFRS, IFRS for SMEs, and ISA to be the standards for the kingdom without any modifications, and renamed those standards as CIFRS, CIFRS for SMEs and CIAS, respectively (Figure 2.2). The Law on Accounting and Auditing was promulgated in 2016 replacing the Law on Corporate Accounts, their Audit, and Accounting Profession due to these changes, which were more than fifty per cent so an amendment to them was not suitable (Bou, 2018, September 26).

2.2.2 Penalties for Noncompliance with Accounting Standards in Cambodia

Enterprises that operate in Cambodia have obligations to comply with certain rules. They have an obligation to prepare financial statements within three months of each fiscal year. Financial statements, if the enterprises meet the criteria set by Prakas (ministerial directive) of Minister of MEF, are required to be submitted for audit. The financial statements are to be used as the basis for fulfilling tax obligations. Enterprises are obligated to keep accounting records based on valid accounting vouchers, and they must be held for at least ten years, use permitted currency and language, and report based on the financial year permitted by law (Law on Accounting and Audit 2016).

Failure to follow the obligations listed, above, will result in breaching the criminal act and this is punishable by administrative penalties set by a sub-Decree. The sub-Decree was drafted by the NAC (Law on Accounting and Audit 2016).

2.2.3 Adoption of IFRS in Cambodia

On 8 January 2009, the MEF issued Prakas No. 68 MEF.BK to promulgate the Cambodian Financial Reporting Standards, which were fully adopted from the International Financial Reporting Standards issued by International Accounting Standards Board (IASB) and included their interpretations and amendments. All entities operating in Cambodia must comply with these standards and they further state that all large and medium entities bound by their responsibilities under Prakas of MEF should fully comply with Cambodian Financial Reporting Standards. The exact date of implementation would be specified by the announcement issued by NAC (T. Seng, 2018, December 12).

In August 2001, Notification No. 09709 MF-NAC from MEF with regard to the introduction of Cambodia International Financial Reporting Standards (CIFRS/IFRS) and Cambodia International Financial Reporting Standards for Small and Medium Entities (CIFRS for SMEs/IFRS for SMEs) by the NAC, declared that the implementation of CIFRS for SMEs and CIFRS would start on 1 January 2010 and 1 January 2012, respectively (T. Seng, 2018).

T. Seng (2018) presented the categories of the entities and the accounting standards they were required to comply with (refer to Table 2.1). Public accounting entities are required to adopt the full CIFRS (IFRS). The entity that is considered to be a publicly accountable entity is the entity that has equity or debt instruments issued in the public market or is in the process of issuing with a securities commission or another regulatory organisation (domestic or foreign stock exchange), or holds capital in a fiduciary capacity for an extensive group of public entities (such as banks, insurances companies, securities mediators/dealers, social security, mutual funds or investment banking entities) (Ministry of Economy and Finance, 2009).

Table 2-1 Notification No. 097/09 MF-NAC

Section	Categories	Accounting Standards
1.1	Public Accountability	CIFRS
1.2	No Public Accountability (meet criteria to submit Financial Statements for audit)	CIFRS for SMEs
1.3	No Public Accountability	CIFRS for SMEs

(source: T. Seng, 2018, December 12, p. 7)

The entity that has no public accountability but has an obligation to submit its financial statements for audit is an entity that is not accountable to the general public and produces normal financial statements for external users (section 1.2 in Table 2.1). It is required to use CIFRS for SMEs but, if necessary, can also use CIFRS. For the entity without public accountability and no obligation to have its financial statements audited can also apply CIFRS for SMEs, as shown in section 1.3 in Table 2.1 (Ministry of Economy and Finance, 2009).

According to the Prakas No. 643 MEF.BK on 8 January 2009, an entity that has an obligation to submit its financial statements for audit is a firm that meets two of the three thresholds of revenue, asset value and the number of employees, and so is subject to a statutory audit. Those thresholds are:

1. Annual turnover of 3,000,000,000 riels (about US$750,000)
2. Assets of 2,000,000,000 riels (about US$ 500,000)
3. Having at least an average of 100 employees annually (Barnett, 2016).

However, the implementation of CIFRS for a financial institution in 2012 was postponed to a new date of 1 January 2016. Another announcement, made in 2016, stated that the implementation of CIFRS for banks, microfinance institutions, and insurance companies will begin on 1 January 2019. Both suspensions of CIFRS implementation were made upon the request of the National Bank of Cambodia (NBC) and for three main reasons: insufficient staff capability, the cost of investment in the core banking system, and the misalliance between the accounting standards and NBC regulations. NAC approved the request for the suspension under three conditions: that the entities must train their employees, prepare the main banking system to conform to accounting standards, and prepare an action plan to submit a progress report every year to NAC (T. Seng, 2018).

In the Joint Workshop on Dissemination on Implementation of Accounting Standards for Banks and Financial Institutions, Mr Chen Phat, Director of Compliance and Inspection Department of NAC presented the key dates for the first financial statements to comply with CIFRS 1: First-time adoption to be implemented from 2019 onward (Chen, 2018).

Figure 2.3 illustrates the date of adoption of IFRS in Cambodia for Financial Institutions. It began on 1 January 2018, as the transition date to use IFRS. The reporting period started from the first day of 2019 onward, and the first IFRS financial statements will be published by each firm at the year-end date of 31 December 2019.

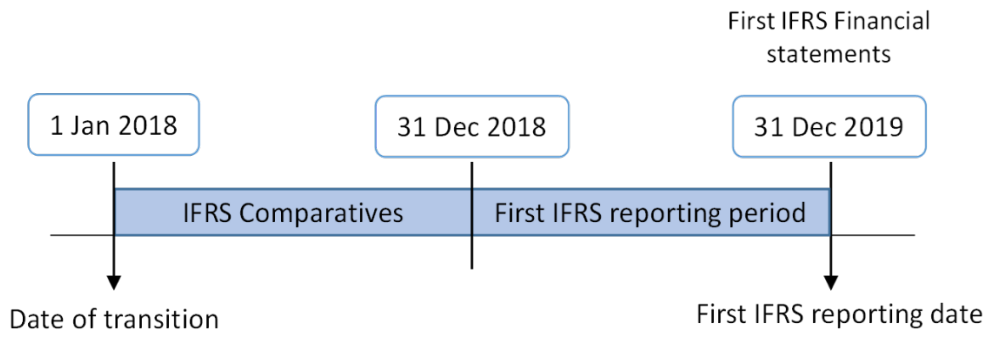

Figure 2-3 Key Dates for First FS in 2019 to comply with CIFRS 1: First-Time Adoption (source: Chen, 2018, December 12, p. 7)

2.2.4 Challenges in IFRS adoption in Cambodia

There are five main challenges to implementing the IFRS, as reported by the NAC. The first challenge is that the managers and owners of the firms are only interested in the cash-basis information and considered the IFRS a waste of time and resources. The lack of skilled staff was also reported by the NAC. It has been stated that, in some cases, the finance managers themselves were not aware of what IFRS was about. Correspondingly, based on the respondents of the survey of (Barnett, 2016), the majority of the people reported that it was difficult for them to recruit capable accounting staff.

Meanwhile, the management of the companies also express their concerns over the unstable platform of IFRS that constantly changes, which makes updating difficult to follow. The next challenge is that the cost of IFRS adoption is too high for the smaller banks, microfinance institutions (MFI) and small companies. These costs include management time, consulting fees, information technology software and consulting costs, and accounting staff costs. Tax compliance is another challenge for its adoption. There are differences between IFRS and the tax basis of accounting. For example, according to Cambodian tax law, the method for determining expenses and income differs from IFRS. This led to two main problems, the preparers of the financial statements were unaware of the differences between taxation law and the IFRS leading to non-compliance with one of the standards, and the other was that the preparers were required to prepare two separate sets of financial reports. Furthermore, the firms reported that they were reluctant to comply with IFRS due to the lack of regulatory action. Many firms argued that they would comply with the requirements of IFRS if the requirements were compulsory. For financial institutions, the lack of guidance was a hindrance as they were asked by the National Bank of Cambodia to evaluate the impact of IFRS as individuals (Barnett, 2016).

The World Bank and International Monetary Fund (2007) reported that the challenges in accounting education and training lack an emphasis on the skills needed for conducting professional duties. Factors, such as lack of communication skills, inadequate practical experience, little training to broaden their knowledge and critical thinking, make it difficult for accounting practitioners to carry out their duties. Meanwhile, the accounting curricula in Cambodia do not sufficiently equip students about good international practices. The accounting curricula do not focus on the IFRS and IAS but mainly on basic accounting features and accounting technicalities.

2.3 Chapter Summary

This chapter focuses on the development of the financial reporting system and the adoption of the IFRS in Cambodia. The Cambodian accounting system has experienced major development in the last two decades, from 1999, when the Research Committee for International Accounting Standards was established to look for suitable accounting standards for Cambodia. The official proclamation of the law on Corporate Accounts, their Audit and Accounting Profession authorised NAC to act as the sole accounting and auditing regulator in Cambodia. Next, the IFRS and IFRS for SMEs were formally adopted as the Kingdom's financial reporting standards without any modifications. Due to some challenges, there have been two postponements of the implementation of CIFRS for banks and the microfinance and insurance industries. Some of the challenges that have been reported are lack of skilled staff, costs of adoption, confusion with the tax basis of accounting, and interest from management. The scarcity of reports on the challenges and the difficulties of IFRS adoption in Cambodia encouraged this study to investigate more about IFRS adoption in Cambodia. There are different factors needed to determine the IFRS adoption, its challenges, and the effect of industry on the IFRS adoption have been reported in previous literature. However, Cambodia represents one of the unique settings of jurisdictions that adopted IFRS; thus, the study about IFRS adoption in Cambodia will contribute to the body of knowledge and understanding about IFRS adoption. The next chapter discusses the related/relevant factors and challenges that influence the decision of firms to adopt or not to adopt IFRS.

Chapter 3

Literature Review and Conceptual Framework

The development of the IFRS and the factors associated with its adoption are discussed in this chapter. Section 1 reviews the development of IFRS followed by the issue of IFRS adoption in Section 2. The conceptual model is presented in Section 3. Section 4 outlines the relevant theory, and Section 5 summarises the chapter.

3.1 Development of International Financial Reporting Standards

After 1973, the development of IFRS became an essential topic for accounting professionals and users of financial statements because of a concern about the non-uniformity in accounting practices and differences in financial statements (Camfferman & Zeff, 2007; Zeff, 2012). Various accounting bodies had developed accounting standards for use in each country and they differed, based on the needs of each country, its economic environment, and what was required from the information. The globalisation of business and the movement towards globalisation of capital markets has driven the need to have uniform international accounting standards, as created by the International Accounting Standards Board (IASB) and recognised by the International Organisation of Securities Commission (IOSCO) (Christensen, Lee, Walker, & Zeng, 2015; Oheneba, Ali, & Ahmed, 2011).

Using uniform accounting standards for all businesses is like having the same weight and measuring system in engineering and the trades (Sunder, 2009). Early human civilisations recognised that having uniform weights and measures facilitated commerce. Thus, a common financial language makes business communication possible (Sunder, 2009).

In recognition of Sunder's (2009) study, variations in terminology can contribute to confusion and, thus, misconceptions about IFRS. The creation of international accounting standards takes into account the immediate effects the standards have on financial markets, specifically, in a voluntary disclosure system (Khlif & Chalmers, 2015; Khlif & Hussainey, 2016). Understandably, the inspiration for the establishment of the same financial reporting standards is for coherence in financial statements and tools to assist investors in making sound financial decisions (Mısırlıoğlu, Tucker, & Yükseltürk, 2013).

The idea of convergence for international accounting practices resulted, in 1973, in the establishment of the International Accounting Standard Committee (Camfferman & Zeff, 2007). This on-going discussion about international accounting standards attracted the attention of global

capital market institutions, which led, in 1995, to the IOSCO-IASB agreement for the development of accounting standards to be used by companies trading in the financial markets (Baker & Barbu, 2007).

3.1.1 Concern about International Accounting Standards' Harmonisation

Before addressing the concerns about the harmonisation of accounting standards, some terms need to be addressed. Harmonisation refers to a process of departing from complete diversity in accounting practices; while harmony refers to 'clustering' of companies around a single or few available methods. Standardisation is a process of moving towards uniformity (a state) (Tay & Parker, 1990, p. 63) (refer to Figure 3.1).

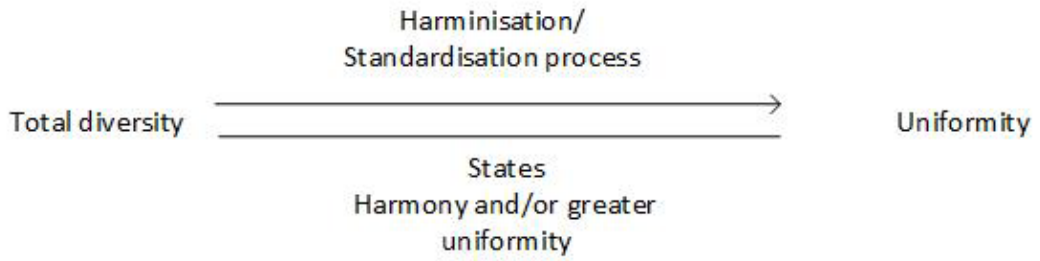

Figure 3-1 Harmonisation and Standardisation (from Tay & Parker, 1990, p.63)

Regardless of concerns about the harmonisation of international accounting standards, some researchers; for example, Brüggemann, Hitz, and Sellhorn (2013) and Gernon and Wallace (1995), stated that a single set of international accounting standards is possible through addressing the challenges using research. The confidence of the researchers in the convergence of accounting practices was shown by the endorsement of the IFRS by the European Union (EU), IOSCO and the United Nations.

3.1.2 Approaches to International Financial Reporting Standards' Adoption

Joshi (1998) studied the international harmonisation of accounting standards from the perception of accounting educators. The author found that the majority of accounting educators who participated in his study believed that complete harmonisation is the best approach for the adoption of accounting standards in comparison to partial harmonisation. Based on his findings, Joshi (1998) stated that complete harmonisation is the best approach to global standards.

For one jurisdiction to claim that it is fully complying with international accounting standards, it must adopt international accounting standards from the standards setter without modification (Zijl & Bradbury, 2006). Zeff and Nobes (2010), however, stated that applying the process of setting

standards and using the standards resulting from this process is the most straightforward way to adopt the international accounting standards, as set by independent standards setters.

Zeff and Nobes (2010) identified several different ways that a jurisdiction could be used to adopt IFRS. The jurisdiction could adopt a process to set the standards, rubber-stamp each standard, endorse the standards (with various variations), fully cover the national standards, partially adopt then or allow the use of IASB's standards.

The intention to adopt IFRS is to produce financial statements that can be compared with other financial statements using the same standards. Thus, differences in the implementation process and the different objectives in preparing the financial statements by connected societies means that international accounting standards will vary (Ball, 2016; Joshi, 1998).

Previous research by Pran (2006), showed substantial differences in accounting standards among jurisdictions that claimed they complied with IFRS. For example, the author examined three local accounting standards from three African countries that claimed they adopted IFRS. The results showed that one of the counties had accounting standards that were significantly different from IFRS. That leads to the belief that the approach that those jurisdictions use to adopt IFRS is one of the major concerns. The jurisdictions that adopted IFRS with some modifications misinterpreted some of the IFRS conditions and implemented the standards with incorrect accounting items (Pran, 2006). The existing rationale for the establishment of international accounting standards was not satisfied then because of the lower level of convergence from the adopters. Tay and Parker (1990) put forward a rationale for having international accounting standards by suggesting that harmonisation and standardisation processes will improve the diversity in accounting standards becoming uniform.

However, with the reported different approaches, as discussed by Zeff and Nobes (2010), they could produce a very different IFRS. Therefore, the expected uniformity in the rationale by Tay and Parker (1990) could go in the reverse direction and the standards will become more diversified. Tay and Parker's (1990) idea of uniformity suggests that the world needs to have a universal conceptual framework for the adoption of the IFRS (Edeigba, 2017).

3.1.3 Justification of International Financial Reporting Standard's Adoption

The debate about whether the adoption of the IFRS and whether it helps eliminate the variations in financial statements has occurred for years but, from 2005 onwards, the main emphasis of the discussion was on the convergence of international accounting standards (Madawaki, 2012; Nobes &

Parker, 2012). Outa (2013) stated that the rise of IFRS is a milestone in the history of accounting. IFRS is used by many developed countries and other less developed countries. The countries adopt IFRS because they think the standards will produce higher quality and greater transparency in their financial statements (Bova & Pereira, 2012). Trimble (2018) found that the accounting quality increase moderately following the mandatory IFRS adoptions in both developed and developing countries. Similarly, Wijayana and Gray (2018) found that after more than a decade of implementation of IFRS in the Asia-Pacific region, the impact of IFRS on reducing the earning management has been stronger.

The increase in the number of jurisdictions adopting IFRS in the world answers the demands of trading partners, international monetary institutes, and the strive to restructure accounting practices (Cortese, 2013; Cortese, Irvine, & Kaidonis, 2010). One of the perceptions of IFRS adoption is that the adopters will gain economic benefits. Downes, Flagmeier, and Godsell (2018) found an improvement in the investment efficiency for the IFRS adopters. Bassemir and Novotny-Farkas (2018) found the improvements in earing quality for new and fast-growing companies, while they also found that all IFRS adopters greatly voluntarily disclose their financial reports on their corporate website. However, Pricope (2016) found economic benefits were not the motivation for IFRS adoption alone, as pressure from external forces also played a role.

It is still debatable if the perception is that IFRS will produce higher quality financial statements. The belief that IFRS will produce more relevant values, higher transparency and more comparable financial statements, in contrast to GAAP, is supported by Daske and Gebhardt (2006). For example, the study of Barth, Landsman, and Lang (2008) found that the companies that adopted IFRS had lower earnings management, more timely loss recognition, and improved value relevance for earnings, which are indicators of improvements in accounting quality. Barth, Landsman, Lang, and Williams (2018) found that the financial statements of the IFRS adopters became more comparable to the firms that had already adopted IFRS, and they were less comparable to the firms that did not adopt IFRS. However, other studies, such as Callao, Jarne, and Laínez (2007); Jeanjean and Stolowy (2008) and Soderstrom and Sun (2007) found that the quality of financial statements produced by IFRS did not change.

In the globalisation age, capital flow goes beyond the physical borders of countries, and it is believed that IFRS helps in reducing information costs. Thus, it reduces costs for the company by using one set of financial statements without the need to translate them, and it is more convenient for the investors to understand the report produced compared to the Generally Accepted Accounting Principles (GAAP) standards (Barth, 2008; Leuz, 2003). Ball (2006); Barth et al. (2018) and Choi and

Meek (2005) specified that IFRS had the capability to facilitate cross-border comparability, improve the transparency of reports, reduce information costs, decrease information asymmetry and, thus, improve market efficiency, competition and liquidity. Likewise, Horton, Serafeim, and Serafeim (2013) found that IFRS adoption improved the information environment by significantly enhanced the forecast accuracy, which later attributed to higher-quality information and improved accounting comparability.

Previous studies that investigated the aspects leading to the compliance of IFRS indicated that IFRS improves the financial market and the capability of attracting overseas investors and larger capital resources into the country (Covrig, Defond, & Hung, 2007; Pricope, 2016). Some countries, for example, Nigeria, wish to attract more investors by adopting IFRS because, by itself, it improves accountability, reduces corruption, and attracts foreign investment (Edeigba, 2017). However, there is no evidence to support the claim that it is improving accountability, reducing corruption or increasing foreign investment (Bakre & Lauwo, 2016). Edeigba (2017) stated that if the mandatory date of IFRS adoption in Nigeria is taken into consideration, the methods used by Bakre and Lauwo (2016) will limit the trustworthiness of the notion of believing the IFRS has no impact on corruption and accountability.

Another benefit of the adoption of IFRS is that it lowers the cost of restatement for the financial statements. Financial statements produced by IFRS are believed to be more comparable. Therefore, a business that engages in international trade could eliminate the cost of the restatement of financial statements. This was confirmed by Taiwo and Adejare (2014), who contested that the preparer of financial statements saw a gain in financial benefits from adopting IFRS, even though the benefit resulted from reductions in the cost of the restatement of financial statements.

Nonetheless, a company will see an increase in profits when the cost of preparing the financial statements reduced after adopting IFRS; thus, the management's financial performance also increases (Bova & Pereira, 2012; S. Li, 2010). Bova and Pereira (2012); Li (2010) and Yousefi Nejad, Ahmad, Md Salleh, and Abdul Rahim (2018) also revealed that the rise in foreign direct investments (FDI) resulted from the application of IFRS. Hence, the outcome of IFRS compliance on FDI differs from country to country.

Generally, IFRS is a principle-based standard. There are mixed reports about the perception that IFRS produces more reliable and more transparent financial statements. Daske and Gebhardt's (2006) study on accounting experts' perceptions about the disclosure quality on IFRS indicated the companies that voluntarily adopted the standards required a more comprehensive disclosure

regime. This was because they believed the standards they adopted would bring them greater incentives for having higher transparency in their accounting standards. Thus, the authors found that in the context of mandatory IFRS adoption, IFRS improved the annual report rating as an indication of improving transparency. However, the notion that IFRS produced more reliable and transparent financial statements was discredited by Sunder (2009). Sunder (2009) argued that IFRS lacked transparency so companies were very likely to refuse to comply with IFRS.

Network effects is one of the motives for the underdeveloped countries to follow IFRS (Odia & Ogiedu, 2013, p. 389). Odia and Ogiedu (2013) discussed the idea that the IFRS was irrelevant to developing countries and transitional economies. The developing countries exhibited weak institutional structures, which resulted in higher non-compliance rates with the IFRS (Abd-Elsalam & Weetman, 2003; Street & Bryant, 2000; Street & Gray, 2001). Odia and Ogiedu (2013) identified a shortage of accountants and the lack of skilled labour as the main reasons. In addition, Irvine and Lucas (2006a) revealed that developing counties and emerging economies have difficulties in adjusting their regulatory infrastructure and culture to the western accounting standards.

Overall, advocacy for IFRS in the literature showed that the adoption of IFRS brought many benefits; for example, economic benefits to the adopted firms, improved the quality of the financial reports, reduced information costs, attracted investors, reduced costs of restatement of financial statements for international trade purposes, and improved transparency and comparability.

However, the benefits from IFRS adoption also come with other difficulties. Irvine and Lucas (2006a) showed that the IFRS adoption process and the on-going costs of practising IFRS are expensive for some firms. Likewise, the differences in countries in terms of culture, politics and business remain as barriers towards a single global standard because one set of accounting standards cannot cover the differences in culture and the institutional structure of each nation (Armstrong, Barth, Jagolinzer, & Riedl, 2010; Soderstrom & Sun, 2007).

3.2 Issues in International Financial Reporting Standards' Adoption

Previous studies that scrutinise the challenges of IFRS implementation focus on three aspects:

1. Characteristics of the firms that affect the adoption process
2. Analysis of the challenges and practical difficulties that influence a firms' decision to adopt IFRS
3. Effects on the industry in which the firms operate and its effect on the adoption decision

The factors that affect IFRS adoption mainly focus on each firms' specific characteristics that distinguish the adopters from the non-adopters. Khlif and Chalmers (2015) argued that the characteristics of the company influence whether the company chooses to adopt specific accounting standards or not.

There are four main challenges of IFRS adoption. The first challenge is the readiness of the businesses to adopt IFRS. The inconsistency with other regulatory requirements and the IFRS is also a challenge that prevents the adoption of IFRS. The valuation of accounting items such as revenue or liability and the lower level of enforcement are also the barriers to IFRS adoption.

While each industry operates in quite a different environment, some companies in a specific industry will experience different difficulties in comparison with others in a different industry (Edeigba, 2017). For example, IFRS 6 relates to the exploration of mineral resources, and more to the natural resource extraction industry like oil and gas. IFRS 6 allows the use of two accounting methods of calculation; namely, the full cost method and the successful method. The full cost method includes the costs of the acquisition, exploration, evaluation and development regardless of the outcomes to be capitalised and matches the future revenue. In contrast, the successful method includes only the costs that bring about the successful outcomes that are to be capitalised and match future revenue. This means the cost of unsuccessful production is considered as an expense in the period in which it occurs (Abdo, 2016). Therefore, this could result in two different outcomes for financial performance depending on whether the preparer is using the successful effort method or the full cost method (Ibrahim, 2014). It will be more convenient for the users of financial statements to make use of, and compare, the performance of companies from the same industry when the companies are using the same method for calculating costs.

3.2.1 Characteristics of Companies that adopt IFRS

Previous studies have investigated the characteristics of firms on the compliance and adoption of IAS/IFRS. Among these characteristics are company size, listing status, training, foreign ownership, foreign trade and auditor type.

Size

The size of the company is a factor in determining whether companies choose to adopt IFRS or not. Generally, it is believed that larger companies have greater information systems, which make the compliance of IFRS less costly compared to smaller firms (Lopes & Rodrigues, 2007). Larger firms also have well-established reporting systems and this reduces the cost of complying with the accounting standard (Al-Shammari, Brown, & Tarca, 2008). Larger companies have more resources available

that better enable them to afford the cost of adopting IFRS than smaller companies (Mantzari, Sigalas, & Hines, 2017). Previous studies, such as Al-Shammari et al. (2008); André et al. (2012); Bassemir (2018); Dumontier and Bernard (1998); Guerreiro, Rodrigues, and Craig (2008); Mantzari et al. (2017); Uyar et al. (2016), found a positive connection between the adoption of IAS/IFRS and a company's size, while the Murphy (1999); Tower, Hancock, and Taplin (1999) studies found that size did not have a significant association with the IFRS adoption.

Listing Status

The listing status of firms is defined as whether a firm is registered either in the stock market domestically or abroad (Lopes & Rodrigues, 2007; Street & Gray, 2002). Bova and Pereira (2012) illustrated that publicly listed firms show better IFRS compliance than privately held firms. The study by Navarro-García and Bastida (2010) showed that the publicly listed companies' financial statements revealed a higher level of awareness about IFRS. This is because the publicly listed firms prepare their financial statements following IFRS as a requirement by law, which could reflect the influence of the regulations on the firms' decision to adopt IFRS. Uyar et al. (2016) found a positive relationship in that the listing status complied with IFRS adoption and compliance, while Kim, Tsui, and Yi (2011) and Y. Li (2007) found the relationship insignificant.

Training

There have been complaints about the difficulty in understanding the IFRS. The differences between domestic standards and the IFRS might be one problem (Uyar et al., 2016). In addition, the technical terms, definitions and measurement methods used in IFRS were new to many practitioners. Thus, a perception of difficulty in understanding the standards could be unavoidable. Therefore, training from accounting bodies or government agencies is needed to ensure the accountant has the proper knowledge to apply the standards in their firms (Uyar et al., 2016). Nurunnabi (2015) study stated that insufficiency in training opportunities in the accounting field had an adverse effect on the implementation of IFRS in Bangladesh. This infers there is a positive association between the training and IFRS adoption.

Foreign Ownership

There are two main reasons why companies with foreign shareholders are highly likely to comply with IFRS: (1) IFRS could improve the information quality by reducing information asymmetries; and (2) it could improve the monitoring of the firms (Bova & Pereira, 2012). The studies by Bova and Pereira (2012) and Uyar et al. (2016) found that foreign ownership had a substantial positive relationship with compliance of the IFRS.

Auditor Type

Auditor type refers to the type of audit firm the companies use, whether local or international. Several authors have suggested the auditors' role in determining the disclosure policy of their customers. A firm chooses to adopt or comply with IFRS because it enables their financial statements to gain extra credibility. In addition, if their statements are audited by a well-known audit firm; namely, the Big 4, the credibility of the financial statement would become even greater because these large international audit firms have the resources and knowledge related to the IAS and IFRS (Dumontier & Bernard, 1998). Guerreiro et al. (2008) indicated that the Big 4 (KPMG, PWC, E&Y, Deloitte) accounting firms have been one of the key players in the harmonisation and adoption of IFRS. There have been mixed results about the relationship between auditor type and IFRS adoption. Al Mutawaa and Hewaidy (2010) and Murphy (1999) found there was no significant association between the two factors, while the studies of André et al. (2012), Bassemir (2018), Dumontier and Bernard (1998); Guerreiro et al. (2008); Lopes and Rodrigues (2007) suggested a positive relationship concerning the type of auditor and IFRS adoption.

Foreign Trade

Companies that trade transnationally should find that the adoption of IFRS enhances the understandability of their financial statements when interpreted internationally, which will boost the relationship between their trading partners, suppliers and governments (Guerreiro et al., 2008). André et al. (2012) claimed that the firms that operate internationally have four main reasons to use IFRS: (1) They are likely to have a diverse group of investors; (2) the need to report to different global constituents; (3) the need to increase their credibility with international customers: and (4) a preference to reduce the costs of their financial restatements and to improve transparency in the reports. Previous studies, such as those of Bassemir (2018); El-Gazzar et al. (1999); Guerreiro et al. (2008), found that there was a positive relationship between the IFRS adoption and the internationalisation of the companies. Y. Li (2007); Lopes and Rodrigues (2007) could not find any significant relationship between these variables.

3.2.2 Challenges of IFRS adoption

Many researchers have investigated the challenges of IFRS adoption and there have been a number of challenges reported in the literature. The challenges to IFRS adoption can be categorised into two main features: (1) internal challenges within the companies; and (2) external challenges from the external environment. The internal factors can be identified as the readiness of the companies to adopt IFRS, and this includes the cost of the adoption, understanding the standards, staff knowledge, and any language difficulties. The following literature identifies external factors about

IFRS adoption; for example, inconsistency with other legal requirements, valuation of accounting items, and enforcement of the standards.

Pawsey (2017) found that IFRS adoption increased the cost for companies, both in the process of adoption and after adoption. The adoption of IFRS required companies to invest significant time and money to upgrade the company's systems, such as internal controls and accounting systems, staff training, and for promoting awareness for financial report users. In addition, the costs of staff training and development, external auditor's fees and other expenses for hiring financial statement specialists to help with the adoption, keep increasing. Perera and Chand (2015) and Thompson (2016) confirmed that the high cost of adoption is considered as one of the practical difficulties for the adoption of IFRS. These costs include the actual training costs, opportunity costs of the time for training, restructuring internal control system costs, and audit costs.

Jermakowicz and Gornik-Tomaszewski (2006) believed that the challenges in IFRS adoption resulted from complications with IFRS as well as the lack of the guidance for implementing IFRS and the need for uniformity in the interpretation of the standards. The IFRS is considered to be complicated and requires staff with sufficient knowledge about accounting to prepare the financial statements.

Further, Faraj and El-Firjani (2014) pointed out that the lack of training programmes was one of the setbacks that the Libyan listed companies experienced. The accountants in Libya were unaware of the application of IFRS and were not capable enough to comply with the accounting standards because there was no relevant training programme for them (Faraj & El-Firjani, 2014). An accounting curriculum that lacks the inclusion of IAS/IFRS was also another major problem. These two points led to another issue that the preparers of the financial statements were not fully aware of the IAS/IFRS; thus, they had limited ability to implement the standards (Faraj & El-Firjani, 2014). Jermakowicz and Gornik-Tomaszewski (2006) asserted that the scarcity of adequate accounting education and training for the implementation of IFRS was seen as a difficulty in applying the IFRS. This was similar to the studies by Jones and Higgins (2006) and Guerreiro, Rodrigues, and Craig (2012) who supported the argument for the necessity of training and transition assistance for the financial statement preparers to be ready to handle the new practices of the IFRS.

Another issue, the limited ability of the practitioners in using English, was also reported as a problem facing the adoption of the IFRS (Faraj & El-Firjani, 2014). Language differences are one of the challenges experienced by staff from non-English speaking countries. For English-based countries, language was not a problem compared to non-English speaking countries (Edeigba, 2017). The IFRS Standard originated from an (Anglo-Saxon) space where specific practices were unique to

the region and this resulted in difficulties in finding equivalent meanings in other languages to represent those terms (Istrate, 2015). Thus, this indicates that language could be a barrier to IFRS adoption.

Joshi (1998) studied the perception of accounting educators regarding the obstacles to the harmonisation of accounting standards and showed that the respondents in his survey believed that the companies' laws and taxation law were barriers to the harmonisation of accounting standards. Specifically, the inconsistency of IFRS with other legal requirements is one of the challenges for IFRS adoption. Barnett (2016) reported the differences between IFRS and Cambodian tax requirements in determining the expenses and incomes, which could lead to two potential issues: (1) if the financial statement preparers were not aware of the differences, it would lead to the non-compliance of either IFRS or taxation requirements; and (2) the preparation of two set financial information. Thus, Uzma (2016) stated that when the countries use their national accounting system for taxation purposes, it might be costly for the companies to use two different accounting systems.

The measurement methods of financial items in IFRS involves the use of the 'market value' valuation method. Edeigba (2017) suggested that the difficulty in determining the valuation of financial items was another obstacle for the application of IFRS. Firms facing difficulty in computing the values of assets and liabilities are not likely to comply with IFRS. Inconsistencies in the Libyan accounting regulations for IFRS were also described as one of the obstacles that deterred the adoption of IFRS by Libyan firms (Zakari, 2014). This study was confirmed by Edeigba's (2017) findings which suggested that the more regulatory requirements for a certain type of accounting reporting (not the same as IFRS), the lower the chances for the adoption of IFRS adoption.

Barnett (2016) identified the lack of enforcement as one of the problems in the adoption of IFRS in Cambodia, while Faraj and El-Firjani (2014) asserted that the lack of enforcement could be considered as one of the factors that prevented successful IFRS compliance. For example, the enforcement mechanism is a serious issue for IFRS adoption especially in countries that have weak institutions and enforcement agencies (Odia & Ogiedu, 2013). Cairns (2001) specified that the degree of compliance for IFRS was different even though the companies claimed they had used IFRS, the external auditors failed to express their opinions on the issue of compliance or non-compliance.

3.2.3 Industry Type as a Factor Influencing IFRS adoption

The choice of adopting or not adopting IFRS is also influenced by the industry in which the firm operates. Owing to the industry-specific accounting guidelines or pressure from the competition, the

compliance of IFRS may vary among industries. This factor also contributes to variations in the costs and benefits of compliance with IFRS (André et al., 2012).

Tsunogaya, Hellmann, and Scagnelli (2015) were concerned that IFRS was not suitable for all companies. For example, the decision to adopt the IFRS standard by the banking industry is usually driven by risk management and publication of the financial performance of the company (Soyemi, Ogunleye, & Ashogbon, 2014). Similarly, Wachi, BAC (2011a) as cited in Tsunogaya et al. (2015), stated that the IFRS Standard was more suitable for the financial sector rather than the manufacturing sector in Japan. Edeigba (2017) found that the companies that operated in the financial service industry and the oil and gas industry were more likely to implement IFRS than businesses from other industries.

3.3 Review of Theories

How the companies reacted to the changes in the accounting system have been addressed by several theories. For example, agency theory discusses the relationship between an agent and the principal contains different information asymmetry and that creates uncertainty (Deegan, 2014). It also explains how the management of the company selects the accounting standards that best suit their interests, as opposed to their shareholders, due to management benefits from the performance (Edeigba, 2017).

Regulatory theory illustrates the legal requirements for the disclosure of financial information to safeguard investors and the users of financial information from false or misleading information (Nobes & Parker, 2012). In the accounting field, regulatory theory is referred to as the regulations (Edeigba, 2017). The idea of having a regulation for the benefit of all society came from another theory, called the Public Interest Theory. The public interest theory proposes that the rules are created for the interest of the public and the regulators are motivated to choose certain regulations when the social costs are lower than the social benefits (Deegan, 2014). The economic interest group theory of regulation should also be taken into consideration. This theory states that different groups more often have different interests; thus, they will persuade the government or regulators to set regulations that advantage them. In the financial accounting sector, certain business sectors may lobby officials to adopt or not to adopt certain accounting standards and practices (Deegan, 2014).

Legitimacy theory explains that the survival of firms relies on the social perception that the firms operate within the boundary of social norms. In order to obtain legitimacy from the public, firms could adopt certain strategies, such as, using the accounting report to report favourable information that draws attention to their strengths (Deegan, 2014). According to Edeigba (2017), legitimacy

theory explains the way that the preparers of financial statements use the accounting standards to deliver the quality financial statements that signify the reality of the economic performance of the company for the information to the stakeholders.

Another noticeable theory is stakeholder theory. This illustrates the ethical and managerial branches in the accounting sector and the reporting of financial information (Deegan, 2014). Stakeholder theory theorises the institution as a part of a larger society and that the institution that operates in society will have an impact on the groups within the society itself. There is a connection between the two theories. Deegan (2014) states that to gain legitimacy firms needed to conduct their operation based the social contracts (the public expectation). However, stakeholder theory indicates that within one society, there should be more than one view on social contracts as there is more than one group that makes up the whole society. Taking both theories into consideration will provide a fuller explanation to the actions of management.

In addition, institutional theory explains how the organisation tries to align its characteristics and practices to society's values and culture to gain the legitimacy to become institutionalised in a particular organisation (Deegan, 2014). Similarly, Guerreiro et al. (2012) states that institutional theory describes the reason the organisations comply with certain accounting standards is to gain legitimacy or in response to institutional pressure. Therefore, it is believed that the legitimacy theory, stakeholder theory and institutional theory are complementary to each other (Deegan, 2014).

3.4 A Model for Examination Challenges in IFRS adoption

This study develops a conceptual model to determine the challenges that affect the IFRS adoption process in Cambodia. Based on the previous literature, the challenges of IFRS adoption can be observed from three viewpoints, as shown in Figure 3.2. They include: (1) companies' characteristics; (2) the challenges that affect the decision of the firm to adopt or not adopt IFRS; and (3) the effect of industry types on IFRS adoption.

1. The characteristics of the companies includes size, listing status, training, foreign ownership, audit type and foreign trade (Al Mutawaa and Hewaidy (2010); André et al. (2012); Bassemir (2018); Dumontier and Bernard (1998); Guerreiro et al. (2008); Mantzari et al. (2017); Uyar et al. (2016). These factors are summarised in Figure 3.2 and further discussed in Chapter 4.

2. The challenges influencing the adoption of IFRS include: the companies' readiness to adopt IFRS (the cost and staff knowledge); confusion with other regulatory requirements; valuation

of accounting items; and a lack of enforcement (Barnett, 2016; Borker, 2016; Cook, Huston, & Omer, 2008; Edeigba, 2017; Faraj & El-Firjani, 2014; Guerreiro et al., 2012; Eva K Jermakowicz, 2004; Eva K. Jermakowicz & Gornik-Tomaszewski, 2006; Eva K. Jermakowicz, Reinstein, & Churyk, 2014; Jones & Higgins, 2006; Kasum, 2011; Pawsey, 2017; Zakari, 2014).

3. Industry type includes agriculture, manufacturing, electricity, gas and water, construction/real estate, trade, hotel and restaurants, transportation, telecommunication, finance, education, healthcare and tourism (Ball, 2016; Edeigba, 2017; Hashemi, 2016; Idemudia, 2013; Jaafar & McLeay, 2007; Wachi, BAC, 2011a as cited Tsunogaya et al., 2015).

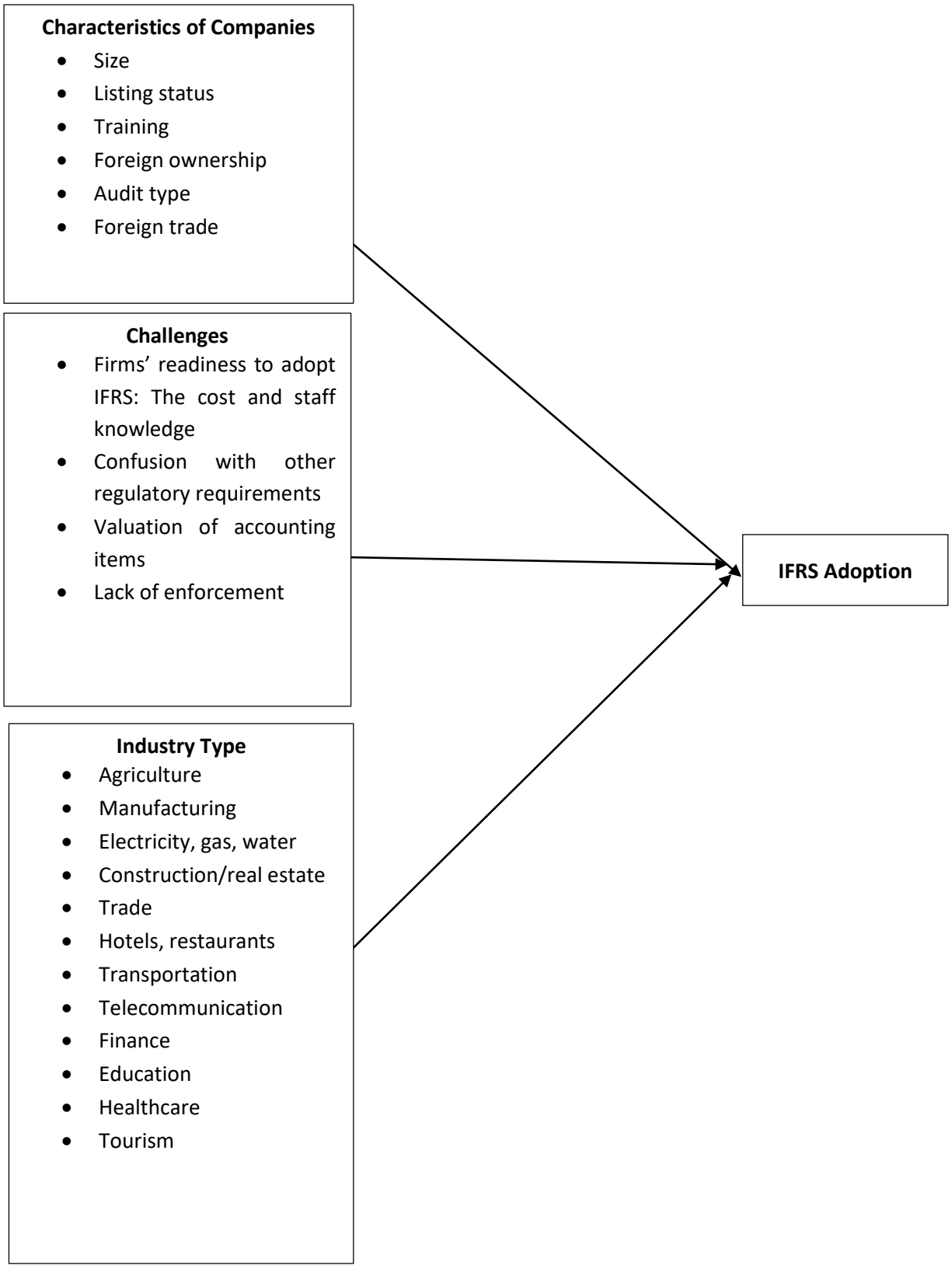

Figure 3-2 Conceptual Model for Investigating Challenges in IFRS Adoption

3.5 Chapter Summary

This chapter reviewed the relevant literature and theories to provide a basis for this study. Based on previous studies, the reasons reported for adopting IFRS were inconsistent, and there were no clear reasons why the companies would choose not to comply with IFRS. Similarly, many studies have attempted to identify the factors or characteristics of IFRS adopters and non-adopters, and the effect of industry type on IFRS adoption but the results were not conclusive. Many studies have investigated the IFRS adoption in different countries, but there has been no empirical study about the adoption of IFRS in Cambodia. In order to achieve global harmonisation of accounting standards, the challenges and issues of the adoption of accounting standards in each jurisdiction need to be addressed. Theoretically, several theories have been used to explain the adoption of the standards discussed in this chapter. From the theories and literature, a conceptual model will be developed, based on the characteristics of the companies, challenges of adoptions and industry type, to assess the adoption of IFRS in Cambodia. The next chapter discusses the study data and the methodology.

Chapter 4

Research Methodology

This chapter presents the empirical framework of the study. It includes the research design and data analysis to answer the research questions. Three main analyses are used in this study; namely, descriptive statistics, EFA, and logistic regression. A survey questionnaire was used to gather relevant data from Cambodian publicly accounting and non-publicly accounting companies that were eligible to adopt IFRS and IFRS for SMEs. Section 4.1 presents the empirical framework of the study, followed by the research design and structure of the survey questionnaire, in Section 4.2. Section 4.3 presents the empirical models employed to address the three research questions, and Section 4.4 summarises the chapter.

4.1 Empirical Framework

The adoption of IFRS can be regarded as the utilisation of the products of IASB (Edeigba, 2017). Thus, the empirical framework of this study is created on the basis of discrete choice consumer theory. IFRS adoption by Cambodian financial and non-financial companies that are eligible to adopt IFRS and IFRS for SMEs results in two possible outcomes; namely, the companies that adopt IFRS and the companies that do not adopt IFRS. This shows that the decision each of the companies involves binary outcomes.

Based on the principle of utility maximisation, the decision maker will select the choice that provides the highest utility among the alternatives at the time the decision is made (Ben-Akiva & Lerman, 1985). When companies are deciding to comply or not to comply with a standard or a policy, a discrete choice is more applicable. This assumes the companies act rationally to use their available resources to select the alternative that best maximises their benefits and opportunities and, eventually, this also maximises their utility (Train, 2009).

Consumer theory assumes that consumption is an activity where the goods are the inputs, and the collections of characteristics are the outputs (Lancaster, 2010). Lancaster (2010) added that the ranking of the goods was indirectly influenced by the collection of the goods' characteristics (the outputs). The decision to implement an accounting program is generally chosen from within alternatives. After comparing the attributes of other standards, companies will choose the alternative that includes the attributes that help to improve the objectives of the preparation of the financial statements for their companies (Edeigba, 2017).

Regarding the adoption of standards, sometimes it is not the regulations that make companies adopt particular accounting standards, but the attributes that gain most from the implementation of these accounting standards (McCartney, 2004). For example, the attributes of financial statements determine the decisions of the adopters about whether they adopt the standards or not. These attributes include the physical attributes (i.e. internal control system, expected betterment in financial performance, confidentiality of disclosures, format of the presentation, and user approval), or the quality attributes (i.e. legitimacy of professionalism, level of transparency, and improvements in the calculation of accounting values) or additional attributes (usefulness of information, comparability of accounting standards with best-practice, reduction in the costs of adoption, and decreases in the vagueness in the regulations) (McCartney, 2004).

When companies decide to choose alternatives due to changes in accounting system, this indicates a discrete choice situation, and this depends on random utility theory (Anderson, De Palma, & Thisse, 1992). The individual selects the alternative that provides the most utility based on random utility maximisation (RUM) assumptions, which agree with Lancaster's (2010) theory that the decision about adoption derives from the attributions of the choices (Edeigba, 2017).

Becker (1976) indicated that the random utility function contained the attributes given by the accounting standards, the companies' desires or characteristics, which are V_{ij}, and the unobservable components (ε_{ij}). It is assumed that the unobservable aspects of the attributes, treated as random factors, provided the complete attributes for IFRS, including companies' characteristics that are unidentifiable or unobservable (Becker, 1976).

According to RUM, a company i selects an alternative j from a definite set of alternatives C, and gets utility U_{ij} (Becker, 1976). Thus, following Edeigba's (2017) study, a company's utility can be written as follows:

$$U_{ij} = \frac{V_{iJ} + e}{\varepsilon_{ij}} \qquad (\mathbf{4.1})$$

where: U_{ij} is the company i in selection of an alternative

V_{ij} is an indirect utility, the observable component, and;

ε_{ij} is the random component representing the unobservable factors and measurement errors.

V_{ij} is used to describe and forecast the choices of company. V_{ij}, and can be simplified into a linear form as follows:

$$V_{ij} = \beta_{1X1} + \beta_{2X2} + \beta_{3X3} + \ldots\ldots + \beta_{nXn} = \beta X_n \quad (\mathbf{4.2})$$

where: $X_n$is a choice i's vector of n attributes.

β is a vector of the unknown parameter that is related to the attributes.

The main assumption is that a company i will select between two alternatives, j and k. Company i chooses alternative j when company i receives the utility provided by alternative j more than the utility provided by alternative k, when $j, k \in C$

where C is the set of choices. The formula is:

$$U_{ij} > U_{ik} \, for \, all \, j \neq k \quad (\mathbf{4.3})$$

Thus, equation (4.4) can be written as:

$$V_{ij} + \varepsilon_{ij} > V_{ik} + \varepsilon_{ik} \quad (\mathbf{4.4})$$

Then, reorganising the observable and unobservable components it becomes:

$$V_{ij} - V_{ik} > \varepsilon_{ik} - \varepsilon_{ij} \quad (\mathbf{4.5})$$

Practically, when $\varepsilon_{ik} - \varepsilon_{ij}$ is unobservable, it is difficult to confirm whether $V_{ij} - V_{ik} > \varepsilon_{ik} - \varepsilon_{ij}$ as the true utility function cannot be observed. The estimation process will be based on a probability utility function. In this analysis, the probability is that $\varepsilon_{ik} - \varepsilon_{ij}$will be lower than $V_{ij} - V_{ik}$ (Train, 2009).

Therefore, the probability that alternative j is selected is:

$$prob(j) = prob(V_{ij} - V_{ik} > \varepsilon_{ik} - \varepsilon_{ij}) \quad (\mathbf{4.6})$$

$$P_i(j) = P_i(V_{ij} - V_{ik} > \varepsilon_{ik} - \varepsilon_{ij}), \forall j \neq k \in C \; (\mathbf{4.7})$$

This study assesses the decisions of Cambodian publicly accounting and non-publicly accounting companies to adopt or not adopt IFRS accounting standards. Companies that have public accountability are required to adopt IFRS, and the companies that have non-public accountability, but meet the requirements set by the NAC (see Chapter 2), are required to adopt IFRS for SMEs. Although the adoption of IFRS is required by law, NAC states that it has not punished any companies

that have not complied with the law; however, they were working to ensure businesses assimilated the importance of using IFRS or IFRS for SMEs. Therefore, in this context, the companies have to make the decision to adopt or not adopt based on the utility they will get and the resources they have put in place to implement the standards.

Based on Edeigba's (2017) study on IFRS adoption in Nigeria, a binary choice framework is employed in this study. There are two alternatives j and k, $C = (j, k)$. The probability of selecting the alternative j is as follows:

$$P_i(j) = P_i(V_{ij} - V_{ik} > \varepsilon_{ik} - \varepsilon_{ij}) \qquad (\mathbf{4.8})$$

and the probability of selecting alternative k is:

$$P_i(k) = P_i(V_{ik} - V_{ij} > \varepsilon_{ij} - \varepsilon_{ik}) \qquad (\mathbf{4.9})$$

or

$$P_i(k) = 1 - P_i(j) \qquad (\mathbf{4.10})$$

Random utility models (binary choice model) can be acquired by identifying a probability distribution of the two constraints/constants?? ($\varepsilon_i = \varepsilon_{ik} - \varepsilon_{ij}$). The normal distribution and logistic distribution are the commonly used forms of distribution employed. For the probit model, the distribution of errors is a normal distribution (Ben-Akiva & Lerman, 1985). However, if $\varepsilon_i = \varepsilon_{ik} - \varepsilon_{ij}$, this is equally and independently distributed as a Gumble distribution (Type I extreme value distribution), and so adheres to the logistic distribution that leads to the logit model (Edeigba, 2017).

Greene (2008) stated that the logit model could be used to analyse dichotomous choice data. This underlies the logistic distribution that enables an estimation to be done conveniently in comparison with other models. The logit model is used in this study because this study assesses the factors that affect the decision of the company about whether they adopt or not adopt IFRS.

Assuming that the two random components ($\varepsilon_i = \varepsilon_{ik} - \varepsilon_{ij}$) are logistically distributed, the cumulative distribution function (CDF) of the logit model is:

$$F(\varepsilon_i) = \frac{1}{1 + e^{-\mu\varepsilon_i}} \qquad (\mathbf{4.11})$$

where: $F(\varepsilon_i)$ is the CDF, μ is a positive scale parameter. If choosing alternative j, the probability is:

$$P_i(j) = \frac{1}{1 + e^{-\mu(V_{ij} - V_{ik})}} \qquad (\mathbf{4.12})$$

Based on equation (4.2), V_{ij} is defined as a linear function of n attributes for the alternative j. So, the probability is given as:

$$P_i(j) = \frac{1}{1 + e^{-\beta(X_{ij} - X_{ik})}} \qquad (\mathbf{4.13})$$

4.2 Research Design

This study identifies the companies' characteristics, challenges for their adoption, and effects from industry type that influences the adoption of IFRS in Cambodia. A predetermined set of questions was constructed and used to gather data from the companies in Cambodia that were eligible to adopt IFRS.

4.2.1 Survey Design and Structure of Questionnaire

A data collection questionnaire was administered to the respondents from October 2018 to December 2018 using a structured survey questionnaire. Three main approaches were used to administer the survey questionnaires to the respondents. The survey questionnaire was first developed in both Cambodian and English using Survey Monkey, and the links were emailed to companies in Cambodia obtained from the NAC and business directories, such as the European Chamber of Commerce in Cambodia (EuroCham Cambodia) and Cambodia Chamber of Commerce. The Cambodia Microfinance Association (CMA) also agreed to help forward the link of the survey to its members.

Further, the questionnaires were then distributed at seven seminars related to accounting standards in Cambodia, six of which were conducted by the NAC, and one conducted by the Federation of Associations for Small and Medium Enterprises of Cambodia (FASMEC). The seminars were intended to disseminate information regarding the adoption of IFRS and IFRS for SMEs and the taxation obligations for companies operating in Cambodia. The NAC and the FASMEC allowed the survey questionnaire to be distributed in these seminars for educational purposes. The participants of the seminars were accountants, senior accountants, accounting heads and heads of finance of the publicly accounting and non-publicly accounting companies operating in Cambodia. Copies of the survey questionnaires were placed on tables for the participants to collect. The coordinators of the programme announced the procedures to complete the questionnaire and informed the participants that participation in the survey questionnaire was voluntary. The participants could leave the

completed survey questionnaires on the table, and the research team collected them at the end. There were six research assistants present at the seminars to assist the participants in filling in the survey questionnaire. In case the participants could not fill in the questionnaire at the seminars and wished to fill them in later, their contact details were asked for. The research assistants would then contact them at a later date and arrange to pick up the completed survey questionnaires. Another approach was calling to book appointments. Two research assistants were assigned to be call persons. The lists of contact details of the companies were obtained from NAC, as NAC had recorded the seminar participants' details (the accountants from Cambodian publicly accounting and non-publicly accounting companies that were eligible to adopt IFRS and IFRS for SMEs) during previous seminars. After the appointments were made, the other five research assistants would meet the participants for an interview.

4.2.2 Sample Selection

The population of this study is accountants, senior accountants, accounting heads and heads of finance of companies that are eligible to adopt IFRS. The criteria to determine the eligibility of the companies are discussed in Chapter 2. It is impossible to determine if the companies are eligible to apply IFRS as there are no official records. However, the NAC has conducted several seminars relevant to IFRS, and many prospective companies have attended the seminars. Thus, the NAC agreed to support our study by providing lists of companies that had attended previous seminars. Also, the NAC and the FASMEC agreed to let the questionnaires be distributed during their seminars.

The majority of the participants of this study were the accountants and finance officers from the companies that participated in the NAC seminars and the FASMEC seminar. The NAC seminars were conducted from October 2018 to December 2018. The participating companies were invited to attend by the NAC, the National Bank of Cambodia, and the General Department of Taxation. The participating companies from the FASMEC seminars were the FASMEC member companies. The remainder of the participants of this study were contacted based on contact details obtained from business directories (discussed in Section 4.2.1) and the lists obtained from the NAC.

However, when taking time and budget constraints into consideration, and with the difficulties of data collection in Cambodia, this study used convenience sampling to select the participants. Participants were invited to take part in this research during seminars by the NAC and the FASMEC and from the lists obtained from the NAC. Although the list of the participants of the NAC's previous seminars was obtained, most of the companies invited to participate in this study chose not to participate. Most of the participants in this study were from the seven different seminars. This

research was conducted in Phnom Penh, the capital city of Cambodia, because most businesses were in the capital and the seminars of the NAC and the FASMEC were conducted in the capital city. The completed questionnaires were input into Excel and transferred to SPSS version 25 and STATA 13 software for analysis.

4.2.3 Sample Size

The size of the sample was determined based on Cochran's (1977) study:

$$n_0 = \frac{z^2\, pq}{e^2} \qquad (\mathbf{4.14})$$

where:

n_0 is sample size

z is the confidence level

e is the preferred level of precision

p is the estimated proportion of an attributed that is existing in the population

q is 1-p

The confidence level of this study is at 95%, the preferred level of precision is at $\pm 5\%$, and the estimated proportion of the attributes of the population is $p = 0.5$ and $q = 0.5$; therefore, the total intended number of the sample size for this research is 385 observations to obtain enough observations for the analysis.

A total of 1500 questionnaires were administered to the participants at the seminars, and 600 were collected back from all the seminars. By employing the three approaches in distributing the survey questionnaires, a total of 262 responses were usable, resulting in a 17.5% response rate. This low sample rate was obtained because of the difficulties in getting the participants to answer the survey questionnaire. The survey was conducted from October to December 2018, which was a busy time for the accountants. Many of the companies that were contacted were very busy, as 31 December is the end of the financial year in Cambodia. Also, cultural differences and different perceptions about completing the survey questionnaires were barriers to obtaining enough samples for the study. Some Cambodian businesses viewed the completion the survey questionnaire as time-consuming, unimportant, and a threat to their companies' confidential information. Moreover, accounting is associated with sales, income, and profits of the companies. This is usually considered as sensitive

business information in Cambodia, so businesses were reluctant to participate in the survey interview. Lastly, the respondents were given the survey questionnaire during the seminars, they had relatively less time to complete the questionnaire, and they were reluctant to stay at the end of the seminar to complete the survey questionnaire. This study has a small sample size and uses convenience sampling; therefore, the results of this survey cannot be generalised beyond the sample (Zikmund, Babin, Carr, & Griffin, 2013). Long (1997) suggested that a sample size smaller than 100 should be avoided and 500 observations should be sufficient for most cases of logistic regression. Therefore, the total of 262 samples in this study provided sufficient observations for the three logit models used in the study.

4.2.4 Survey Instrument

To obtain data for this study, a structured survey questionnaire was developed. The questionnaire was approved by Lincoln University Human Ethics Committee.

4.2.5 Survey Format

There are five sections in the survey questionnaire:

(1) Companies' general perceptions of the IFRS adoption
(2) Questions on the adoption of IFRS
(3) Questions on the adoption of IFRS for SMEs
(4) Questions for the non-adopters of IFRS/IFRS for SMEs
(5) Demographics of the respondents

The respondents would need to answer three of the five sections. Sections 1 and 5 are compulsory. Respondents need to fill in either section 2, section 3 or section 4, depending on their accounting standards adoption status. If the respondents adopted IFRS, IFRS for SMEs and did not adopt IFRS/IFRS for SMEs, they needed to complete section 2, section 3, and section 4, respectively. For example, if a respondent's company adopts IFRS, the respondents need to complete sections 1, 2 and 5 of the survey questionnaire.

Section 1 of the questionnaire asked the respondents general information about IFRS adoption in Cambodia. The questions related to the perceptions of the companies about IFRS adoption in Cambodia. The respondents were asked their opinions on how important the accounting standards for their companies were. The respondents were also asked about their concerns on the adoption of IFRS, and the motivating and demotivating factors for adopting IFRS. At the end of section 1, the respondents were asked if they adopted IFRS, IFRS for SMEs, or did not adopt IFRS/IFRS for SMEs,

which led the respondents to the next section. Section 1 questions included nominal, categorical and Likert scales.

Sections 2 and 3 are for IFRS adopters and IFRS for SMEs adopters, respectively. The respondents were asked about the year of adoption, the reasons for the adoption, the difficulties, and the impacts of the IFRS and IFRS for SMEs adoption on their financial reporting. The questions on the difficulties of implementing IFRS and IFRS for SMEs emphasised the costs of adoption, the skills of staff, the accounting measurement, and inconsistencies with other regulatory requirements.

Section 4 was designed for the companies that did not adopt IFRS/IFRS for SMEs. This section contained questions about the challenges and difficulties of why they did not adopt IFRS/IFRS for SMEs. They were also asked what accounting standards they were using and how likely they were to be willing to adopt either IFRS or IFRS for SMEs.

Finally, Section 5 inquired about the characteristics of the companies and the industry in which they operated. The characteristics questions included the years of establishment of the company, ownership type, category of the company, size of the company, auditor type, international trade status, and the participants' age groups, study backgrounds and work positions.

4.3 Data Analysis

The previous literature, reports, and other sources associated with the adoption of IFRS, were reviewed and used to structure the survey questions. Likert scale questions, objective response questions, nominal questions and dichotomous questions were used to extract the information from the participants. Descriptive statistics, factor analysis, and tests of the hypothesis were then conducted on the data.

4.3.1 Descriptive Statistics

The descriptive statistics identified the profiles of the companies that participated in the survey. To describe the companies' responses in the survey, frequency, Person chi-square distribution, and a sample t-test were employed. Various types of questions were used to measure the perceptions of the respondents on certain features related to accounting standards, the challenges in adopting IFRS and the characteristics of the companies. These included 5-point Likert scales, objective responses, and nominal and dichotomous questions. This method was used by Edeigba (2017) to identify the challenges, characteristics of the companies, and the factors affecting IFRS adoption in Nigeria.

4.3.2 Exploratory Factor Analysis

The survey questionnaire asked the respondents about the perceptions and challenges of IFRS adoption for them. To make it more manageable for analysis, these questions were scaled down using factor analysis. According to Hair, Black, Babin, Anderson, and Tatham (2006), items with strong correlations indicated that the companies valued those items similarly. These items then needed to be compiled and sorted into a single factor. EFA was used to sort the factors from items that were valued similarly.

Factor analysis reduces a large set of statements into smaller, manageable factors by keeping related information together for analysis (Edeigba, 2017). The eigenvalue is used as the determinant of the number of factors to be obtained. Hair et al. (2006) suggested that for a factor to be extracted, its eigenvalue needed to be greater than one. Similarly, Kim and Mueller (1978) and Harman (1967) suggested not to extract the factors when the sum of eigenvalues exceeded the sum of communalities.

Orthogonal and oblique methods of rotation were used in this study to run the factor analysis. The rotation was used to aid the interpretation of the factors because it helped make the factor matrix table easier to understand and interpret. Orthogonal rotation (VARIMAX) considers the factors are not correlated because the rotation factors would have a 90-degree angle to the axes (Amenkhienan, 1986). The oblique rotation (OBLIMIN) uses a simple structure where the factors generated are correlated with each other because the factor is rotated without any orthogonality conditions (Kim & Mueller, 1978).

Turning now to the interpretation of the factors, factor loading must be taken into consideration. The sample size can help to determine the significance of the factor loading (see Table 4.1). Table 4.1 shows the guidelines for selecting the appropriate factor. According to Hair et al. (2006), for factor loadings, the test of significance is less meaningful and commonly conservative. Our study uses ± 0.60 as the factor loading because it is regarded as being very significant, $p < 0.05,$ while ± 0.40 is a minimal acceptable for this study's sample size.

Table 4-1 Guidelines for Identifying Significant Factor

Factor Loading	Sample Size Needed for Significance
0.30	350
0.35	250
0.40	200
0.45	150
0.50	120
0.55	100

Factor Loading	Sample Size Needed for Significance
0.60	85
0.65	70

Source: Hair et al. (2006)

Sampling adequacy will be verified using Kaiser-Meyer-Olkin (KMO). KMO should be above 0.50 to show the degree of inter-correlations among the variables. In addition, Bartlett's test of sphericity could be used to confirm that the statistical probability of at least some of the variables have significant correlations in the correlation matrix (Hair et al., 2006).

4.3.3 Logistic Regression

This study identifies factors that affect the decisions of companies for IFRS adoption. They include the company's characteristics, difficulties, and industry effects on IFRS adoption. Logistic regression was employed to assess the decisions of the companies for IFRS adoption.

4.3.4 Econometric Model

The research questions consist of identifying the companies' characteristics, industry effects, and challenges that influence the adoption of IFRS. This study uses the logit model to determine the companies' decisions to adopt IFRS by identifying the characteristics of the companies, challenges they face in the adoption process, and industry effects that influence their decision to adopt or not adopt the IFRS. Previous studies, such as André et al. (2012); Edeigba (2017); El-Gazzar et al. (1999); Y. Li (2007), used the logit model to examine IFRS adoption. André et al. (2012) examined the determinants of voluntary IFRS adoptions in the UK by using logistic regression to estimate the companies' characteristics and voluntary IFRS adoption. Y. Li (2007) used logistic regression to identify the characteristics of the early adopters and non-early adopters of IFRS in New Zealand. El-Gazzar et al. (1999) used logistic regression to test the relationships between the variables, such as distribution of markets, access to foreign capital markets, geographical and trade block memberships and the companies' compliance with IAS. Edeigba (2017) investigated companies in Nigeria that adopted IFRS or not, based on a logit model. The logit model is appropriate for this study because the adoption of IFRS involves two outcomes; namely, the companies that adopt IFRS, and the companies that do not adopt IFRS (Edeigba, 2017). Thus, the dependent variable of this study is a binary variable, and the logistic regression could best explain the relationships between the independent and dependent variables. Following Edeigba's (2017) study, the logit model can be written as follows:

$$P_i(Y_i = 1) = \frac{1}{1 + e^{-\beta X_i}} \qquad (\mathbf{4.15})$$

where: P_i is the probability that the company adopt IFRS,

$(1\text{-}P_i)$ is the probability that the company does not adopt IFRS

Y_i is a binary choice in which $Y_i = 1$ if the company adopts IFRS and $Y_i = 0$ if the company does not adopt IFRS

X_i is the vector that explains the variables

β is the estimated parameter

The odds ratio of the choice of IFRS adoption can be written as:

$$\frac{P_i}{1 - P_i} = e^{\beta X_i} \qquad (\mathbf{4.16})$$

The logistic regression equation can be written as follows:

$$\log\left(\frac{P_i}{1 - P_i}\right) = Z_i = \beta X_i \qquad (\mathbf{4.17})$$

where Z_i is the logarithm of the odds

For a dichotomous dependent variable, the use of ordinary least squares (OLS) is not possible because it violates the assumptions of homoscedasticity, linearity and normality (Maddala, 1983). Therefore, the maximum likelihood estimation (MLE) was used for the estimation of regression coefficients ($\hat{\beta}$) for logistic regression.

$$L = \prod_{Y_i - 1} P_i \prod_{P_i - 0} (1 - P_i) \qquad (\mathbf{4.18})$$

However, coefficient ($\widehat{\beta_i}$), estimated by logistic regression, does not specify the effect of the predictor variables on the probability P_i. Therefore, the use of marginal effects is more appropriate. The marginal effect of each independent variable can be explained from computation of the analysis (Greene, 2008). The marginal effects of the logistic regression can be estimated by the following equation:

$$M_j = \frac{\partial P_i}{\partial x_{ij}} = \beta_j P_i (1 - P_i) \qquad (\mathbf{4.19})$$

According to Greene (2008), the binary independent variable, where the independent variable equals 1 and 0 respectively. The marginal effects can be derived by the following equation:

$$\frac{\partial P_i}{\partial x_{ij}} = \left[P_i(Y=1)|x_{ij}=1)\right] - \left[P_i(Y=1)|x_{ij}=0)\right] \qquad (\mathbf{4.20})$$

4.3.5 Goodness-of-fit

To evaluate the model fit of the logistic regression, goodness-of-fit tests are used. The four goodness-of-test tests employed in this research are adopted from the study by Edeigba (2017). The tests are the likelihood ratio test, the McFadden pseudo R^2, the Hosmer-Lemeshow test, and a predictive ability measure.

The likelihood ratio (LR) test is used to test the goodness-of-fit of the two models; namely, the null model and the alternative model. This is an asymptotically distributed x^2statistic (Hill, Griffiths, & Lim, 2008; McFadden, 1973). If LR rejects the assumption, this means the estimated model fits the data well. LR can be calculated as:

$$LR = -2(LL_{null} - LL_{model}) \sim x^2, df\ (J) \qquad (\mathbf{4.21})$$

where: LL_{null} is the value of log likelihood calculated only with a constant term (restricted model) and LL_{model} is the maximised value of the log likelihood function of the unrestricted model (the model that includes the independent variables) (Harrell, 2015; Menard, 2002).

McFadden's pseudo R^2 test denotes the overall model fit in the regression model. The values of McFadden pseudo R^2 range from zero to one and they increase according to the model's explanatory power and greater fitness. The value of R^2 tends to be higher than the McFadden pseudo $R^2$and a McFadden pseudo R^2 that has the value from 0.20 to 0.40 is regarded as a good fit (McFadden, 1973). The equation of than McFadden pseudo R^2 can be written as follows:

$$Pseudo\ R^2 = \frac{-2LL_{null} - (-2LL_{model})}{-2LL_{null}} = 1 - \left(\frac{LL_{model}}{LL_{null}}\right) \ (\mathbf{4.22})$$

where the value of LL_{null} decreases, $pseudo\ R^2$ increases, and LL_{null} equals zero, the $pseudo\ R^2$ will be equal to one. Thus, the ideal robustness of the estimated model for the data will be observed (Hair et al., 2006; Maddala, 1983).

The Hosmer-Lemeshow test compares the expected value to the observed values of the dependent variable (Stata, 2013). To confirm the model fitness of a dataset, so needs to fail to reject the null

hypothesis, which commonly assumes that the values of different groups are not different. The Hosmer-Lemeshow test can be measured by:

$$HL = \sum_{k=1}^{g} \frac{(O_k n'_k \bar{p}_k)^2}{n'_k \bar{p}_k (1 - \bar{p}_k)^2} \sim x^2, df\ (k-2) \qquad (\mathbf{4.23})$$

where O_k is the total outcomes of the event in group j, and $n'_k \bar{\pi}_k$ is the mean of the estimated probabilities of the expected values in group j (Hosmer & Lemeshow, 2004).

Further, the predictive ability can be used to check the model's fit. Comparing the expected percentage correctly predicted from the unrestricted model's predictive ability to the expected percentage, as correctly predicted from the restricted model, can indicate the fitness of the model. Predictive ability analysis provides the percentage of correct predictions, and a comparison of the percentages gained from the unrestricted and restricted models (Edeigba, 2017).

4.3.6 Empirical Implementation

Three empirical models were developed to answer the three research questions. The independent variables were identified from the literature. The study identified the effects of the various factors on the dependent variable. These factors were later included in the models as control variables. The primary interest of the study was to assess the impact of the company's characteristics, difficulties in IFRS adoption, and the effect of industry type on IFRS adoption.

Research Question 1 (RQ1)

The first model measures the probability of IFRS adoption by Cambodian publicly accounting and non-publicly accounting companies that are eligible to adopt IFRS and IFRS for SMEs based on the characteristics of the companies. The dependent variable ($ifrsadoption$) measures the decision of the company to adopt or not adopt IFRS. The dependent variable is based on the question in the questionnaire that asked: Has your company complied with CIFRS (IFRS) mandatory adoption?" The definitions of the independent variables of the model are defined in Table 4.2. The variables include characteristics of the companies in Cambodia. Model 1 examines the characteristics of Cambodian companies (publicly accounting and non-publicly accounting) that adopt or do not adopt IFRS. The general form of the model can be written as:

$$ifrsadoption_{it} = size_{it} + lst_{it} + trn_{it} + foro_{it} + aud_{it} + fort_{it} + \varepsilon_{it}\ (\mathbf{4.24})$$

Definition of the Independent Variables (Model 1)

The independent variables in Model 1 are size, listing status, training, foreign ownership, auditor type, and foreign trade. Previous studies from André, Walton, and Yang (2012), Edeigba (2017), and Uyar, Kılıç, and Ataman Gökçen (2016), reported these variables are the determinants for IFRS adoption.

Table 4-2 Factors that Affect IFRS adoption (Model 1)

Variables	**Description**	**A priori sign**	**Authors**
Size	Size of the company. There are three measurements of the size of the company: Size as measured by number of employees 1. 1-10 2. 11-50 3. 51-99 4. 100+ Size as measured by current assets 1. Less than 200,000,000 Riel (approximately less than US$ 50,000) 2. 200,000,001Riel – 1,000,000,000 Riel (approximately US$50,001–US$ 250,000) 3. 1,000,000,001Riel – 2,000,000,000 Riel (approximately US$250,001 – US$ 500,000) 4. More than 2,000,000,001 Riel (approximately more than US$ 500,001) Size as measured by total sales 1. 0 Riel – 250,000,000 Riel (approximately US$0 – US$62,500) 2. 250,000,001 Riel – 700,000,000 Riel (approximately US$62,501 – US$ 175,000) 3. 700,000,001 Riel – 3,000,000,000 Riel (approximately US$175,001 – US$ 750,000)	+/-	Al-Shammari et al. (2008); André et al. (2012); Bassemir (2018); Dumontier and Bernard (1998); Guerreiro et al. (2008); Mantzari et al. (2017); Uyar et al. (2016)

Variables	Description	A priori sign	Authors
	4. 3,000,000,000 Riel – 4,000,000,000 Riel (approximately US$ 750,001 – US$ 1,000,000) 5. More than 4,000,000,001 Riel (approximately more than US$ 1,000,001)		
lst	Company listing status (1 if the company is listed on the Cambodia Securities Exchange (CSX) and/or foreign stock exchange, 0 otherwise)	+	Uyar et al. (2016)
trn	Accounting training programmes (1 if the company has provided an accounting training programme in the company, 0 otherwise)	+	Nurunnabi (2015); Uyar et al. (2016)
foro	Foreign ownership (1 if the company is fully owned or partially owned by foreigners, 0 otherwise)	+	Bova and Pereira (2012); Uyar et al. (2016)
aud	Auditor type (1 if the company's external auditor is one of the Big4, 0 otherwise)	+	André et al. (2012), Bassemir (2018), Dumontier and Bernard (1998); Guerreiro et al. (2008)
fort	Foreign trade (1 if the company is involved in foreign trading, 0 otherwise)	+	Bassemir (2018); El-Gazzar et al. (1999); Guerreiro et al. (2008)
ε_{it}	Error term		

Research Question 2 (RQ2)

Based on previous studies, several challenges in IFRS adoption have been identified descriptively. This study tests the variables identified in the literature using the logit model. The challenges that affected companies' decisions to adopt or not adopt IFRS (Model 2) can be written in a general form as:

$$ifrsadoption_{it} = ready_{it} + confus_{it} + val_{it} + enforce_{it} + size_{it}$$

$$+ lst_{it} + trn_{it} + foro_{it} + aud_{it} + fort_{it} + \varepsilon_{it} \qquad (\mathbf{4.25})$$

Definition of Independent Variables (Model 2)

The four-factors of the practical difficulties were obtained from the EFA based on the four-factor solution. *The companies' readiness to adopt IFRS* refers to the preparedness of the companies to adopt IFRS. This includes three main factors; namely, the cost of adoption, understanding of the standards, and staff knowledge. The cost of adoption measures the financial resources the company

needs to spend on IFRS adoption (Edeigba, 2017; Edwards et al., 2007; Sunder, 2009; Thompson, 2016). The cost of adoption includes training costs, hiring new staff, cost of upgrading technologies and internal control systems (Edeigba, 2017). Another element of this variable is the knowledge of the staff; this measures the capacity of the staff of the company in understanding IFRS (Edeigba, 2017; Faraj & Firjani, 2014; Sunder, 2009; Zakari, 2014).

The differences in the requirements for companies to comply with financial reporting requirements or accounting treatments is another challenge for IFRS adoption. In particular, companies in Cambodia need to comply with the regulations of different government agencies related to the financial statements or tax requirements (Barnett, 2016). Thus, the *confusion with other regulatory requirements* variable measures the effects of the variations in financial reporting requirements on IFRS adoption.

Valuation is another challenge that the companies in Cambodia face regarding the adoption of IFRS. This variable includes the difficulties in understanding the procedures and policies of IFRS and the difficulties in calculating the accounting value using IFRS. The v*aluation variable refers to* the difficulties that companies face in selecting the appropriate accounting value allowed for by IFRS for valuation (Amiraslani, Iatridis, & Pope, 2013; Ball, Li, & Shivakumar, 2015; Edeigba, 2017).

The enforcement of the IFRS refers to the lack of enforcement from the regulatory body on the adoption of IFRS. Barnett (2016); Faraj and El-Firjani (2014) specified the obstacle in adopting accounting standards was the lack of enforcement from the relevant governing parties. In particular, Barnett (2016) reported that the lack of enforcement was one of the challenges in Cambodia.

Table 4-3 Challenges that affect IFRS adoption (Model 2)

Variables	**Description**	**A priori sign**	**Authors**
ready	Companies' readiness to adopt IFRS: Obtained from the EFA based on the four-factor solution	-	Barnett (2016); Edeigba (2017); Faraj and El-Firjani (2014); Guerreiro et al. (2012); Eva K. Jermakowicz and Gornik-Tomaszewski (2006); Jones and Higgins (2006); Pawsey (2017)

Variables	Description	A priori sign	Authors
confus	Confusion with other regulatory requirements: Obtained from the EFA based on the four-factor solution	-	Barnett (2016); Edeigba (2017); Zakari (2014)
val	Valuation of accounting items: Obtained from the EFA based on the four-factor solution	-	Borker (2016); (Edeigba, 2017; Eva K Jermakowicz, 2004; Eva K. Jermakowicz et al., 2014; Kasum, 2011; Skinner, 1993)
enforce	Enforcement of the IFRS: Obtained from the EFA based on the four-factor solution	-	Barnett (2016); Faraj and El-Firjani (2014)
ε_{it}	Error term		

(The variables: *size lst trn foro aud fort* are similar to Model 1)

Research Question 3 (RQ3)

The third model estimated the likelihood of the company's choice to adopt IFRS as influenced by the type of industry in Cambodia. The impact of the industries on the decision of the companies to adopt or do not adopt IFRS can be written in the general form as:

$$ifrsadoption_{it} = arg_{it} + manu_{it} + util_{it} + cons_{it} + trad_{it} + hotel_{it} + trans_{it} + tele_{it} + fin_{it} + edu_{it} + heal_{it} + tour_{it} + other_{it} + size_{it} + lst_{it} + trn_{it} + foro_{it} + aud_{it} + fort_{it} + \varepsilon_{it} \quad (\mathbf{4.26})$$

Definition of Independent Variable (Model 3)

There are three main industries in Cambodia; namely, industry, agriculture and service. However, adapting from the Cambodia Inter-censal Economic Survey 2014 (Ministry of Planning, 2015), twelve sub-categories of industries were used in the survey questionnaire because it provided more detail about each industry. The independent variables of Model 3 included the thirteen industries in Cambodia: (1) Agriculture; (2) Manufacturing/industrial; (3) Electricity, gas, water; (4) Construction/real estate; (5) Trade; (6) Hotel, restaurant; (7) Transport; (8) Telecommunication; (9) Finance; (10) Education; (11) Healthcare; (12) Tourism; and (13) Other.

Table 4-4 Industry Types that Affect IFRS Adoption

Variables	Description	A priori sign	Authors
arg	Agriculture	+/-	Ball (2016); Edeigba (2017); Hashemi (2016); Idemudia (2013); Jaafar and McLeay (2007); Wachi, BAC, 2011a as cited Tsunogaya et al. (2015)
manu	Manufacturing	-	
util	Electricity, gas, water	+/-	
cons	Construction/real estate	+	
trad	Trade	+/-	
hotel	Hotel, restaurant	+/-	
trans	Transport	+/-	
tele	Telecommunication	+/-	
fin	Financial	+	
edu	Education	+/-	
heal	Healthcare	+/-	
tour	Tourism	+/-	
other	Others	+/-	
ε_{it}	Error term		

(The variables: *size lst trn foro aud fort* are similar to Model 1)

4.3.7 Nature of the Variables

Following Edeigba's (2017) study, logistic regression was employed to estimate the effect of the predictor variables on IFRS adoption. The predictor variables in the three empirical models were the continuous, categorical, or dummy variables. The variables of the models explained are the status of the company on IFRS adoption (adoption or non-adoption). The predicted signs of the predictor variables are shown in the tables for each model. The variables related to challenges were derived from the four factors in EFA, based on the summated scale chosen for each observation, the new continuous score will be computed by SPSS version 25.

4.4 Summary of the Chapter

This chapter discussed the study data collection and methodology. A survey instrument was employed to collect the data from Cambodian publicly accounting and non-publicly accounting companies that are eligible to adopt IFRS and IFRS for SMEs. The companies' accountants were

invited to participate in the survey questionnaire. There are three stages of empirical analysis. The first stage includes a descriptive statistic of the responses based on the chi-square and t-test, followed by EFA, to identify the factors that have similar constructions. The factors obtained from factor analysis and the other variables were analysed by the three empirical models and SPSS version 25 and STATA 13 software were used to analyse the data. The next chapter discusses the empirical results.

Chapter 5

Descriptive Statistics and Factor Analysis

Chapter 5 presents the descriptive statistics of the survey and the results of the exploratory factor analysis (EFA). The profile of the respondents who participated in the survey are discussed in Section 5.1, followed by the characteristics of the companies and their industries in Section 5.2. Section 5.3 presents the motivations for IFRS adoption and Section 5.4 provides the results of the EFA that measures the challenges and difficulties of IFRS adoption. Section 5.6 summarises the chapter.

5.1 Profiles of the Respondents

A total of 1,500 questionnaires were administered to the participants in seminars; 600 were collected, with 262 responses unusable due to incomplete responses, resulting in a 17.5% response rate. The usable questionnaires comprised 30.9 per cent of companies that adopted IFRS, and 69.1 per cent non-adopters of IFRS. The survey was conducted in seven seminars organised by the NAC and FASMEC in the capital city, Phnom Penh.

The respondents included senior accountants (25.9%), chief financial officers (18.0%), accounting managers (22.7.3%) and others (including accountants and finance officers) (33.3%). There was a marginally significant difference between IFRS adopters and non-adopters in terms of job title ($p \leq 0.1$). The age of the respondents was categorised into five levels, extending from 18 to over 61 years. The majority of the respondents were in the 18 to 30 year age group (51.6%), followed by 31 to 40 years (40.1%), 51 to 60 years (1.6%) and 61 years and above (2.0%) (refer to Table 5.1). The chi-square test shows a significant difference between the ages of IFRS adopters and non-adopters ($p \leq 0.05$).

A large percentage of the respondents (42.5%) were from companies that had adopted IFRS, held a bachelor's degree, or a masters' degrees (32.5%), were Association of Chartered Certified Accountants (ACCA)/Certified Public Accountants (CPA) (16.3%), were Certified Accounting Technicians (CAT) (3.8%), at high school (2.3%), had an associate degree (1.3%) and others (1.3%). For the respondents from the companies that did not adopt IFRS, 69.4 per cent held a bachelor's degree, or a masters' degree (15.6%), were ACCA/CPA (7.2%), held an associate degree (2.2%), were at high school (2.2%), had a PhD (1.7%), were CAT (1.1%), and others (0.6%). The results stipulate different educational levels among the IFRS adopters and non-adopters. There is a highly significant difference between IFRS adopters and non-adopters for accounting educational levels ($p \leq 0.01$).

Table 5-1 Profile of the Respondents

Variables	Features	Sample % N=262	Adopters % N= 81 (30.9)	Non-adopters % N= 181 (69.1)	X^2
Job Title	Senior Accountant	25.9%	23.8%	26.9%	6.589*
	CFO	18.0%	20.0%	17.1%	
	Accounting Manager	22.7%	31.3%	18.9%	
	Other	33.3%	25.0%	37.1%	
	Total	100.0%	100.0%	100.0%	
Respondents' age groups	18-30 years	51.6%	41.0%	56.3%	10.042**
	31-40 years	40.1%	44.9%	37.9%	
	41-50 years	4.8%	6.4%	4.0%	
	51-60 years	1.6%	2.6%	1.1%	
	61 years or more	2.0%	5.1%	0.6%	
	Total	100.0%	100.0%	100.0%	
Respondents' qualifications	High school	2.3%	2.5%	2.2%	22.722***
	Associate degree	1.9%	1.3%	2.2%	
	Bachelor degree	61.2%	42.5%	69.4%	
	Masters' degree	20.8%	32.5%	15.6%	
	PhD	1.2%		1.7%	
	CAT	1.9%	3.8%	1.1%	
	ACCA/CPA	10.0%	16.3%	7.2%	
	Other	0.8%	1.3%	0.6%	
	Total	100.0%	100.0%	100.0%	
Location of education	Domestic institution	88.7%	74.7%	94.9%	22.799***
	Foreign institution	10.5%	24.1%	4.5%	
	Other	0.8%	1.3%	0.6%	
	Total	100.0%	100.0%	100.0%	

Note: Non-responses are excluded from the questionnaire. The columns labelled Adopters and Non-Adopters are exclusively related to the IFRS adoption status of the companies. *, **, and *** indicate significance at the 1, 5 and 10 per cent levels, respectively, and ^{NS} indicates not significant.

The majority of the respondents were educated in Cambodia (88.7%), while 10.5% of the respondents were educated abroad, and 0.8% of respondents chose the option 'other' but did not provide more details. Noticeably, 24.1 per cent of IFRS adopters were educated abroad, compared to only 4.5 per cent of IFRS non-adopters. The chi-square test showed a highly significant difference between IFRS adopters and non-adopters in terms of the location of their education ($p \leq 0.01$).

5.2 Characteristics of the Companies

Table 5.2 shows the characteristics of the companies that participated in this study. The results included adopters and non-adopters of IFRS. The characteristics of companies included their listing status, ownership structure, the company's age, foreign trade status, auditor type, industry type, number of shareholders, number of employees, current assets, revenue, foreign ownership status, registered business type, and training (refer to Table 5.2).

Table 5-2 Descriptive Statistics of the Companies that Adopted IFRS vs Non-adopters

Variables	Features	Sample % N=262	Adopters % N= 81 (30.9)	Non-adopters % N= 181 (69.1)	X^2
Company Listing Status	Listed on the Cambodian Stock Exchange only	2.3%	7.4%		27.555***
	Listed on the foreign stock exchange	9.7%	18.5%	5.6%	
	Listed on the Cambodian Stock Exchange and the foreign stock exchange	3.1%	4.9%	2.2%	
	Never been listed on any stock exchange	84.9%	69.1%	92.1%	
	Total	100.0%	100.0%	100.0%	
Ownership	Family owned	23.8%	9.9%	30.0%	22.034***
	Non-family owned	65.9%	86.4%	56.7%	
	Not sure	10.3%	3.7%	13.3%	
	Total	100.0%	100.0%	100.0%	
Company Age	Before 1980	3.9%	6.2%	2.8%	4.481^{NS}
	1980-1989	2.7%	3.7%	2.3%	
	1990-1999	13.2%	17.3%	11.3%	
	2000-2009	19.0%	18.5%	19.2%	
	2010-2018	61.2%	54.3%	64.4%	
	Total	100.0%	100.0%	100.0%	
Foreign Trade	Yes	32.8%	41.8%	28.7%	4.189**
	No	67.2%	58.2%	71.3%	
	Total	100.0%	100.0%	100.0%	
Auditor Type	The Big4	32.9%	56.3%	22.3%	32.194***
	Cambodian local firms	25.1%	22.5%	26.3%	
	Other international audit firms	4.3%	3.8%	4.6%	
	Not been audited	34.9%	16.3%	43.4%	
	Other	2.7%	1.3%	3.4%	
	Total	100.0%	100.0%	100.0%	
Industry Type	Agriculture	2.7%		3.9%	16.929^{NS}
	Manufacturing/industrial	16.9%	16.0%	17.3%	
	Electricity, gas, water	3.5%	1.2%	4.5%	

Variables	Features	Sample	Adopters	Non-adopters	
		%	%	%	X^2
		N=262	N= 81 (30.9)	N= 181 (69.1)	
	Construction/real estate	8.5%	11.1%	7.3%	
	Trade	14.2%	8.6%	16.8%	
	Hotel, restaurant	3.5%	1.2%	4.5%	
	Transport	6.5%	8.6%	5.6%	
	Telecommunication	2.7%	4.9%	1.7%	
	Finance	26.9%	32.1%	24.6%	
	Education	3.1%	3.7%	2.8%	
	Healthcare	0.8%		1.1%	
	Tourism	0.8%		1.1%	
	Others	10.0%	12.3%	8.9%	
	Total	100.0%	100.0%	100.0%	
Number of Shareholders	Less than 10	89.6%	85.9%	91.3%	7.149^{NS}
	10-20	2.0%	2.6%	1.7%	
	21-50	1.6%		2.3%	
	51-100	1.6%	3.8%	0.6%	
	Over 100	5.2%	7.7%	4.0%	
	Total	100.0%	100.0%	100.0%	
Number of Employees	1-10	27.6%	18.8%	31.5%	25.538***
	11-50	29.1%	15.0%	35.4%	
	51-99	10.0%	13.8%	8.3%	
	100+	33.3%	52.5%	24.9%	
	Total	100.0%	100.0%	100.0%	
Current Assets	Less than 200,000,000 Riel (approximately less than US$ 50,000)	24.6%	11.7%	30.3%	26.595***
	200,000,001 Riel – 1,000,000,000 Riel (approximately US$50,001 – US$ 250,000)	26.2%	18.2%	29.7%	
	1,000,000,001 Riel – 2,000,000,000 Riel (approximately US$250,001 – US$ 500,000)	10.3%	7.8%	11.4%	
	More than 2,000,000,001 Riel (approximately more than US$ 500,001)	38.9%	62.3%	28.6%	
	Total	100.0%	100.0%	100.0%	
Total Sales	0 Riel – 250,000,000 Riel (approximately US$0 – US$62,500)	36.4%	16.0%	46.0%	31.682***
	250,000,001 Riel – 700,000,000 Riel	16.5%	13.3%	18.0%	

Variables	Features	Sample	Adopters	Non-adopters	
		%	%	%	X^2
		N=262	N= 81 (30.9)	N= 181 (69.1)	
	(approximately US$62,501 – US$ 175,000)				
	700,000,001 Riel – 3,000,000,000 Riel (approximately US$175,001 – US$ 750,000)	12.3%	16.0%	10.6%	
	3,000,000,000 Riel – 4,000,000,000 Riel (approximately US$ 750,001 – US$ 1,000,000)	6.4%	5.3%	6.8%	
	More than 4,000,000,001 Riel (approximately more than US$ 1,000,001)	28.4%	49.3%	18.6%	
	Total	100.0%	100.0%	100.0%	
Foreign Ownership	Partially or fully owned by foreigner(s)	56.4%	81.3%	45.3%	29.133***
	Fully owned by Cambodians	43.6%	18.8%	54.7%	
	Total	100.0%	100.0%	100.0%	
Type of Business	Sole proprietorship	12.3%	7.5%	14.4%	6.390^{NS}
	General partnership	2.3%	1.3%	2.8%	
	Limited partnership	5.4%	7.5%	4.4%	
	Private limited company	55.6%	56.3%	55.2%	
	Public limited company	14.2%	18.8%	12.2%	
	Subsidiary, branch, or Commercial representative of a foreign company	8.4%	7.5%	8.8%	
	State-owned organisation	1.1%	1.3%	1.1%	
	Other	0.8%		1.1%	
	Total	100.0%	100.0%	100.0%	
Training	Yes	36.2%	62.8%	24.6%	34.402***
	No	63.8%	37.2%	75.4%	
	Total	100.0%	100.0%	100.0%	

Note: Non-responses are excluded from the questionnaire. The columns labelled Adopters and Non-adopters are exclusively related to the IFRS adoption status of the companies. *, **, and *** indicate the significance at 1, 5 and 10 per cent levels, respectively, and ^{NS} indicates not significant.

Two hundred sixty-two companies participated in this study. The sample consisted of companies listed on the Cambodian Stock Exchange (CSX), foreign stock exchanges, both CSX and international stock exchanges, and companies not listed on any stock exchange. Table 5.2 shows 2.3 per cent of the companies included in this study were listed on CSX, followed by the companies listed on foreign stock exchanges (9.7%), those listed both on CSX and an international stock exchange (3.1%) and

non-listed companies (84.9%). The chi-square test showed a highly significant difference between IFRS adopters and non-adopters in terms of listing status ($p \leq 0.01$). Almost two thirds of the companies (65.9%) were non-family businesses, while 23.8 per cent were family businesses. The remaining companies (10.3%) did not specify if their companies were family owned businesses or not. The chi-square results showed a highly significant difference ($p \leq 0.01$) between the ownership structure of the companies and the IFRS adoption.

The age of the companies was measured in 10-year intervals from 1980 to 2018. Therefore, the last interval, from 2010 to 2018 was only for eight years. However, majority of the companies were established from 2010 to 2018 (61.2%), followed by 2000 to 2009 (19.0%), 1990 to 1999 (13.2%), 1980 to 1989 (2.7%), and before 1980 (3.9%) (refer to Table 5.2).

More than half of the IFRS adopters were established between 2010 and 2018 (54.3%), followed by companies that were established between 2000 and 2009 (19.0%), 1990 and 1999 (13.2%), 1980 and 1989 (2.7%), and before 1980 (3.9%). Similarly, for IFRS non-adopters, almost two thirds of the companies (64.4%) were established between 2010 and 2018, followed by 19.2 per cent between 2000 and 2009. Other companies' establishment ranged from 1990 and 1999 (11.3%), 1980 and 1989 (2.3%), and before 1980 (2.8%). However, the chi-square test showed insignificant differences ($p > 0.1$) between IFRS adopters and non-adopters in terms of the age of the company.

The foreign trade status of companies refers to international trade affiliations. The results showed that 67.2 per cent of the companies did not trade internationally while the rest of the companies did so. Further, 41.8 per cent of the IFRS adopters engaged in international trade while the remaining (58.2%) did not. For the non-adopters of IFRS, the majority of the companies did not engage in foreign trading (71.3%) while the remaining companies engaged in international trading (28.7%) The chi-square results indicated a marginally significant difference ($p \leq 0.1$) between the internationalisation (foreign trading) of the companies and their IFRS adoption status.

For the companies' auditors over the last five years, 34.9 per cent of the companies were never audited, followed by 32.9 per cent of companies that used the Big 4, 25.1 per cent used local Cambodian audit firms, 4.3 per cent used other international audit firms, and 2.7 per cent used other audit firms.

More than half of the IFRS adopters had used the Big 4 in the last five years (56.3%), followed by Cambodian audit firms (22.5%), never been audited (16.3%), other international audit firms (3.8%) and other (1.3%). Regarding non-adopters of IFRS, the majority of the companies did not use audit services (43.4%), while 26.3 per cent of the companies used local Cambodian audit firms. This was

followed by companies that used the Big 4 (22.3%), other international audit firms (4.6%) and others (3.4%). The chi-square test showed a highly significant difference between the adopters and non-adopters of IFRS ($p \leq 0.01$) in terms of auditor type.

The majority of the companies had fewer than 10 shareholders (89.6%), followed by 10 to 20 shareholders (2.0%), 21 to 50 shareholders (1.6%), 51 to 100 shareholders (1.6%) and over 100 shareholders (5.2%). However, the chi-square test showed that there was no significant difference between the adopters and non-adopters of IFRS in terms of the number of shareholders ($p > 0.1$).

The classifications of the number of employees were adopted from the Asian Development Bank (ADB) and the Royal Government of Cambodia (RGC)'s sub-committee on SME Secretariat, 2005 and 2007, as cited in Ministry of Planning (2005). The classifications of employees showed the criteria for companies to be considered as SMEs. There are four categories for the number of employees: between 1 and 10, between 11 and 50, between 51 and 99, and above 100. In terms of the number of employees, 33.3 per cent of the companies had more than 100 employees, followed by companies with between 11 and 50 (29.1%) employees, between 1 and 10 (27.6%), and between 51 and 99 (10.0%). The chi-square test showed an insignificant difference between IFRS adopters and non-adopters in terms of the number of employees ($p > 0.1$).

The results showed that more than half of the IFRS adopters had more than 100 employees (52.5%), followed 1 and 10 employees (18.8%), between 11 and 50 employees (15.0%) and between 51 and 99 employees (13.8%). The survey results also showed that 35.4 per cent of the IFRS non-adopters had between 11 and 50 employees, followed by 1 and 10 employees (31.5%), between 51 and 99 employees (8.3%) and more than 100 employees (24.9%). There was a highly significant variation in the number of employees, as shown by the chi-square test result ($p \leq 0.01$).

The classifications of the current assets of the companies were also adopted from the ADB and the RDG sub-committee on the SME Secretariat, 2005 and 2007, as cited in Ministry of Planning (2005). This study divided the current assets into four groups: less than 200,000,000 Riel (approximately US$ 50,000 (referred as group 1), from 200,000,001 Riel to 1,000,000,000 Riel (approximately US$50,001 to US$ 250,000) (group 2), from 1,000,000,001 Riel to 2,000,000,000 Riel (approximately US$250,001 to US$500,000) (group 3), and more than 2,000,000,000 (approximately more than US$500,001) (group 4). The majority of the companies that participated in this survey were in group 4 (38.9%), followed by group 2 (26.2%), group 1 (24.6%) and group 3 (10.3%).

Further, the majority of IFRS adopters were in group 4 (62.3%), followed by group 2 (18.2%), group 1 (11.7%) and group 3 (7.8%). The survey results also showed that 30.3 per cent of IFRS non-adopters

were in group 1, followed by group 2 (29.7%), group 4 (28.6%), and group 3 (11.4%). The chi-square test showed a highly significant difference between IFRS adopters and non-adopters ($p \leq 0.01$) in terms of the current assets they held.

The companies' total sales were divided into five groups based on the Prakas reclassification of taxpayers (Rajah & Tann Asia, 2018) and the required turnover thresholds for Cambodian companies to adopt IFRS (discussed in Chapter 2). The five groups of companies' total sales are: from 0 Riel to 250,000,000 Riel (approximately US$0 to US$62,500) (referred to as group 1), from 250,000,001 Riel to 700,000,000 Riel (approximately US$62,501 to US$ 175,000)(group 2), from 700,000,001 Riel to 3,000,000,000 Riel (approximately US$175,001 to US$750,000)(group 3), from 3,000,000,001 Riel to 4,000,000,000 Riel (approximately US$750,001 to US$1,000,000) (group 4) and more than 4,000,000,001 Riel (approximately more than US$1,000,000)(group 5). The majority of the companies were in group 1 for total sales (36.4%), follow by group 5 (28.4%), group 2 (16.5%), group 3 (12.3%) and group 4 (6.4%).

Further, almost half of the IFRS adopters were in group 5 (49.3%), which represented the highest total sales among the five groups. IFRS adopters in groups 1 and 3 shared the same percentage of total sales (16.0 per cent), followed by group 3 (12.3%) and group 4 (6.4%). For the non-adopters of IFRS, most of the companies were in group 1 (46.0%), which represented the lowest total sales. The survey results showed 18.6 per cent of IFRS non-adopters were in group 5, followed by 18.0 percent in group 4, 18.0 per cent in group 2, 10.6 per cent in group 3, and 6.8 per cent in group 4. The chi-square test showed that there was a highly significant difference between IFRS adopters and non-adopters ($p \leq 0.01$) regarding the companies' revenues.

More than half of the companies were partially or fully owned by foreigners (56.4%), while the rest of the companies were fully owned by Cambodian nationals (43.6%). The majority of the companies that adopted IFRS were either partially or fully owned by foreigners (81.3%), whereas the remaining 18.8 per cent of the companies were owned by Cambodian nationals. For IFRS non-adopters, 45.3 per cent of the companies were either partially or fully owned by foreigners, while the remaining 54.7% were owned by Cambodian nationals. The chi-square test revealed that there was a highly significant difference between IFRS adopters and non-adopters ($p \leq 0.01$) in terms of the ownership status of the companies.

The type of business was the legal status that the companies registered with the Ministry of Commerce. More than half of the companies participating in the survey were private limited companies (55.6%), followed by public limited companies (14.2%), sole proprietorship (12.3%),

subsidiary, branch, or commercial representative of foreign companies (8.4%), limited partnerships (5.4%), general partnerships (2.3%), state-owned organisations (1.1%), and other (0.8%). The chi-square test showed that there was no significant difference between the IFRS adopters and non-adopters for business type.

Training referred to whether the companies provided accounting training to employees or not. The majority of the companies (63.8%) did not provide accounting training to their employees, while the remaining ones (36.2%) did. Further, about a quarter of IFRS non-adopter companies (24.6%) offered training opportunities to their employees, while the remaining ones (75.4%) did not offer any training. Fewer than two thirds of the IFRS adopters (62.8%) provided accounting training to their employees, while the remaining ones (37.2%) did not offer any training. The chi-square test showed a highly significant difference between IFRS adopters and non-adopter regarding the training opportunities offered to employees ($p \leq 0.01$).

5.2.1 Industry Profiles of the Companies

Table 5.2 shows that 26.9 per cent of the companies were from the financial industry, followed by manufacturing industry (16.9%), trading industry (14.2%), construction/real estate industry (8.5%), transportation industry (6.5%), hotel and restaurant industry (3.5%), electricity, gas, and water industry (3.5%), education industry (3.1%), telecommunication industry (2.7%), agriculture industry (2.7%), healthcare industry (0.8%) industry, tourism industry (0.8%) and others (consultancy companies and other service providers) (10%).

Almost one third of IFRS adopters (32.2%) were in the financial industry, followed by manufacturing (16.0%), others (12.3%), construction/real estate (11.1%), trade (8.6%) and transportation (8.6%). For the non-adopters of IFRS, the majority of the companies were in the financial industry (24.6%), followed by manufacturing (17.3%), trade (16.8%), others (8.9%), construction/real estate (7.3%) and transportation (5.6%) (refer to Table 5.2). The chi-square test showed no significant differences between IFRS adopters and non-adopters regarding the industry in which they operated.

5.3 Companies' Awareness of IFRS Adoption

This section discusses companies' awareness of IFRS adoption after the implementation of IFRS and IFRS for SMEs. It includes the awareness of the companies about the mandatory adoption of IFRS and IFRS for SMEs, the companies' perceptions on the importance of accounting standards, and the companies' accountability type.

The survey results showed that 51.8 per cent of the respondents reported that IFRS was mandatory for their companies, followed by 31.9 per cent that reported that they were required to adopt IFRS, and 16.3 per cent did not know the answer. Further, 82.1 per cent of IFRS adopters were aware that IFRS was mandatory for them, while 14.1 per cent reported that their companies were not required to adopt IFRS, and 3.8 per cent did not know the answer. For IFRS non-adopters, 38.5 per cent reported that IFRS was mandatory, followed by 39.7 per cent who reported that IFRS was not mandatory, and 21.8 percent did not know the answer. The chi-square test showed the highly significant difference between the adopters and non-adopters ($p \leq 0.01$) with regard to awareness of IFRS being mandatory to adopt (refer to Table 5.3).

Table 5-3 Issues on Companies' Awareness about IFRS Adoption

Variables	Features	Sample % N=262	Adopters % N= 81 (30.9)	Non-adopters % N= 181 (69.1)	X^2
Mandatory CIFRS adoption	Yes	51.8%	82.1%	38.5%	41.694***
	No	31.9%	14.1%	39.7%	
	Don't Know	16.3%	3.8%	21.8%	
	Total	100.0%	100.0%	100.0%	
Importance of accounting standards for companies	Very important	75.9%	90.1%	69.4%	14.365***
	Somewhat Important	21.8%	7.4%	28.3%	
	Not Important at all	2.3%	2.5%	2.2%	
	Total	100.0%	100.0%	100.0%	
Company accountability type	Publicly accounting company	28.1%	40.0%	22.7%	8.117***
	Non-publicly accounting company	71.9%	60.0%	77.3%	
	Total	100.0%	100.0%	100.0%	

Note: Non-responses are excluded from the questionnaire. The columns labelled Adopters and Non-Adopters are exclusively related to the IFRS adoption status of the companies. *, **, and *** indicate the significance at the 1, 5 and 10 per cent levels, respectively, and ^{NS} indicates not significant.

The respondents who reported that IFRS was not mandatory or did not know whether IFRS was mandatory or not, were also asked if IFRS for SMEs was mandatory for their companies. A total of 125 participants responded to the question in which 85.6 per cent were IFRS adopters, and 14.4 per

cent were non-adopters. Slightly more than one third of the respondents (35.2%) reported that IFRS for SMEs was mandatory for them, while the other third (35.2%) reported that it was not mandatory for their companies. The remaining 29.6 per cent of respondents did not know the answer. Further, the majority of the IFRS adopters reported that it was mandatory to adopt IFRS for SMEs, while 11.1 per cent reported that it was not mandatory. For the non-adopters, 26.2 per cent reported that IFRS for SMEs was mandatory for their companies, 39.3 per cent reported that it was not mandatory, and 34.6 per cent did not know the answer. The chi-square test showed that there was a significant difference between adopters and non-adopters in terms of the awareness of IFRS for SMEs being mandatory to adopt. The chi-square test showed there was a highly significant difference between IFRS adopters and non-adopters regarding the awareness of the adoption of IFRS for SMEs ($p \leq 0.01$) (refer to Table 5.4).

Table 5-4 Issues on Companies' Awareness about IFRS for SMEs Adoption

Variables	**Features**	**Sample**	**Adopters**	**Non-adopters**	**X^2**
		%	**%**	**%**	
		N=125	**N= 81 (30.9)**	**N= 181 (69.1)**	
Mandatory CIFRS for SMEs adoption	Yes	35.2%	88.9%	26.2%	26.910***
	No	35.2%	11.1%	39.3%	
	Don't Know	29.6%		34.6%	
	Total	100.0%	100.0%	100.0%	

Note: Non-responses are excluded from the questionnaire. The columns labelled Adopters and Non-adopters are exclusively related to the IFRS adoption status of the companies. *, **, and *** indicate the significance at the 1, 5 and 10 per cent levels, respectively, and ^{NS} indicates not significant.

The respondents were asked about their perception of the importance of accounting standards for their companies. The majority of the respondents believed that accounting standards were very important for their companies (75.9%), while 21.8 per cent of the respondents stated that the accounting standards were somewhat important to them. Only 2.3 per cent of the respondents believed that accounting standards were not important for their businesses. The majority of IFRS adopters agreed that accounting standards were very important for their businesses (90.1%), while 7.4 per cent of the adopters agreed that it was somewhat important, and only 2.5 per cent thought accounting standards were not important at all. For IFRS non-adopters, 69.4 per cent believed that accounting standards were important for their companies, 28.3 per cent of them agreed that accounting standards were somewhat important, and 2.2 per cent thought that accounting standards were not important at all. The chi-square test showed a highly significant difference between IFRS adopters and non-adopters ($p \leq 0.01$) with regard to their perception of the

importance of accounting standards. This could indicate that the IFRS adopters were more aware of the importance of accounting standards to their businesses than the non-adopters.

The majority of the companies were non-publicly accounting companies (71.9%), while 28.1 per cent were the publicly accounting companies. The majority of the adopters were non-publicly accounting companies (60.0%), and the rest were publicly accounting companies (40.0%). For IFRS non-adopters, 77.3 per cent of them were not publicly accounting companies, while the rest were publicly accounting companies (22.7%). The chi-square test showed a highly significant difference between IFRS adopters and non-adopters with regard to the accountability types of the companies ($p \leq 0.01$).

5.4 Motivation to Adopt IFRS

The companies that adopted IFRS/IFRS for SMEs were presented with a series of statements relating to their motivation for IFRS adoption. The respondents were asked to select statements relevant to their companies. Based on the t-test analysis, Table 5.5 shows 81 companies that adopted IFRS, reported their motivations to adopt IFRS.

The majority of the IFRS adopters (70.4%) believed that the adoption of IFRS could help enhance the companies' legitimacy, which confirmed legitimacy theory. Deegan (2014) stated that a firm could adopt a certain strategy; in this case, adopt IFRS, to gain legitimacy from the public. The survey results showed that IFRS adoption was proof of transparency in their companies (65.4%). These results confirmed the findings of Daske and Gebhardt (2006), who reported that the companies that had incentives to be transparent were more willing to adopt internationally recognised accounting standards, such as IFRS and GAAP, compared with local accounting standards. In addition, Daske and Gebhardt (2006) found that mandatory IFRS adopters' financial report ratings improved significantly, and this signified improvements in the transparency of their reported financial statements.

Table 5-5 Motivations for the Companies to Adopt IFRS/IFRS for SMEs

Statement	N= 81 %	Observed	df	Significant differences
To attract foreign investors	29.60	24	80	5.804***
Concerned about being penalised by accounting regulators	42.00	34	80	7.607***
It provides financial benefits to my company	39.50	32	80	7.228***
It provides non-financial benefits to my company	11.10	9	80	3.162***

Statement	N= 81 %	Observed	df	Significant differences
It enhances my company's legitimacy	70.40	57	80	13.784***
It eases the cost of raising capital internationally	11.10	9	80	3.162***
It provides the opportunity to be listed on the international stock markets	29.60	24	80	5.804***
It is a proof of transparency in my company	65.40	53	80	12.306***
It increases my company's financial performance indicators	32.10	26	80	6.150***
It is the best determinant of my company's financial performance	30.90	25	80	5.976***
CIFRS/CIFRS for SMEs accounting value is more value relevant than other accounting standards	19.80	16	80	4.438***

Note: Non-responses are excluded from the questionnaire. The columns labelled Adopters and Non-Adopters are exclusively related to the IFRS adoption status of the companies. *, **, and *** indicate significance at the 1, 5 and 10 per cent levels, respectively, and ^{NS} indicates not significant.

5.5 Factor Dimensions of the Challenges of IFRS adoption

This section explains the four-factors of the practical difficulties obtained from the EFA based on a four-factor solution. The test for sphericity was used to determine the significance of EFA to observe the practical difficulties and challenges of IFRS adoption. The results showed that $X^2 = 2251.497$, df = 171, $p \leq 0.001$ and KMO = 0.898. Four factors (refer to Table 5.5) were extracted from 20 items with eigenvalues greater than 1.00. The extracted four factors explained 61.53 per cent of the variation in the items included in the survey. Six items were excluded from further analysis because five items has a factor score lower than 0.6, and one item was highly correlated with another item.

Factor 1, “Companies’ Readiness to Adopt IFRS”, includes statements related to the difficulties/challenges from within the companies. Five items were loaded together in this factor, such as the increase in staff training needs, the lack of implementation guidelines from the accounting regulators, limited staff knowledge and experience, the difficulty in understanding the translation of IFRS, and the high costs of adoption. These five statements reflected the incapacity of the companies to adopt IFRS, which included both technical and financial incapacity. The companies’ readiness to adopt IFRS explained 40.62 per cent of total variance, as explained by the four-factor solution. Two other statements were also loaded onto this factor, but the factor scores were lower than 0.6; therefore, they were omitted from the analysis (refer to Table 5.6).

Factor 2 measures the "Inconsistency with Other Legal Requirements". Some of the items explaining the difficulty of the inconsistencies of IFRS with other legal requirements were loaded into this factor while other items were not related. This factor included statements indicating that the companies needed to prepare a new set of financial statements for taxation purposes and the IFRS was inconsistent with tax regulation requirements. They had factor scores of 0.727 and 0.614, respectively. Other items related to the increase in companies' tax were also loaded onto this factor, but the factor score was lower than 0.6, so it was omitted. This factor explained 8.78 per cent of total variance explained by the four-factor solution.

Table 5-6 Rotated Component Matrix for the Practical Difficulties in IFRS Adoption

	Varimax rotated loading				***Communalities***
Statements	***F1***	***F2***	***F3***	***F4***	
Factor 1: *Companies' Readiness to Adopt IFRS*					
CIFRS increases staff training needs	0.800				0.730
There is a lack of implementation guidelines from the accounting regulator	0.705				0.556
Staff knowledge and experience of CIFRS is limited	0.701				0.657
CIFRS translation is difficult to understand	0.690				0.715
The costs of adoption are high	0.605				0.610
Factor 2: *Inconsistency with other Legal Requirements*					
My company needs to prepare a new set of financial statements for taxation purposes		0.727			0.582
It is difficult to forecast the future cash flow from CIFRS or from the financial statements		0.666			0.572
Conflict of interest between management and stakeholders		0.651			0.500
CIFRS is inconsistent with tax regulation requirements		0.614			0.604
Factor 3: *Valuation of Accounting Items*					
It is difficult to calculate the accounting values			0.743		0.752
My company has to implement the appropriate internal control systems with CIFRS			0.718		0.580
It is difficult to understand CIFRS accounting policies			0.693		0.749
It is difficult to understand the procedures in applying CIFRS			0.609		0.660
Factor 4: *The Enforcement of IFRS*					
The enforcement of CIFRS is low				0.820	0.707
Eigenvalues	7.828	1.670	1.180	1.013	

Variance explained (%)	41.201	8.789	6.209	5.331
Cumulative variance (%)	41.201	49.991	56.200	61.530
KMO= 0.898				
Bartlett's Test of Sphericity X^2 = 2251.497, df = 171, P≤ 0.001				

Note: Extraction Method: Principal Component Analysis
Rotation Method: Varimax with Kaiser Normalisation.[a]
a. Rotation converged in 7 iterations.
Excluded "CIFRS adoption increases in the cost of producing financial statements" due to a low score, below 0.6
Excluded "CIFRS contains expressions that lack clarity" due to a low score, below 0.6
Excluded "The management of my company is not interested in adopting CIFRS" due to a low score, below 0.6
Excluded "CIFRS increases my company taxes" due to a low score, below 0.6
Excluded "My company has to change the Information Technology (IT) system to suit CIFRS" due to a low score, below 0.6
Excluded "It is difficult to forecast profitability" because it is highly correlated with "It is difficult to forecast future cash from IFRS or financial statements."

Factor 3, "Valuation of Accounting Items", included statements assessing the difficulties in IFRS adoption that the companies encountered in calculating the accounting value. The difficulties in calculating accounting values, difficulties in understanding IFRS accounting policies, and difficulties in understanding the procedure in applying the IFRS were positively correlated. The three statements had factor scores of 0.743, 0.693 and 0.609, respectively. However, there were two other unrelated statements loaded into this factor, which were the difficulties in implementing appropriate internal control systems with IFRS (factor score of 0.718), and the difficulty in changing information technology systems for IFRS (factor score lower than 0.6). The factor "Valuation of Accounting Items'" variance explained contributed to 6.20 per cent of total variance explained by the four-factor solution. This factor indicates that the valuation of accounting items challenged IFRS adoption.

Factor 4, "The Enforcement of IFRS", explained 5.33 per cent of the total variance, as explained by the four-factor solution. It contained the statement that indicated the concerns of the preparers of financial statement about the level of enforcement of IFRS in Cambodia. It had a factor score of 0.824. This factor indicated that with the low level of enforcement from the authority, the companies did not have the courage to adopt IFRS.

5.6 Summary of the Chapter

This chapter provided the profiles of the respondents, followed by the characteristics of the companies. Awareness of the companies about IFRS was also discussed in this chapter. This section also discussed the motivations of the companies for adopting IFRS. The descriptive statistics employed the t-test, frequency, and Person chi-square test for the analysis. The majority of the

respondents were in the age group from 18 to 30 years old, held a Bachelor's degree, and were educated in Cambodia. Most of the companies participating in the survey were not listed on any stock exchange. The majority of the companies were not family-owned businesses. The chi-square test showed the significant difference between IFRS adopters and non-adopters in terms of the ownership of the companies. Many companies that adopted IFRS were either owned partially or fully by foreigners. The survey results also showed that the two main motivating factors to adopt IFRS were to gain legitimacy and transparency for the company's financial statements. Four challenging factors confronted by the companies to adopt IFRS were also identified. These challenges were the companies' readiness to adopt IFRS, inconsistency with other legal requirements, the valuation of accounting items, and the enforcement of IFRS. The next chapter presents the empirical results of the study.

Chapter 6

Empirical Results and Discussion

Chapter 6 discusses the empirical results. Section 6.1 provides a discussion about the diagnostic tests and multicollinearity analysis. Section 6.2 provides the findings and a discussion of Model 1 related to companies' characteristics that influence IFRS adoption. Section 6.3 presents the findings and a discussion of Model 2 relating to the challenges of IFRS adoption. This is followed by Section 6.4 on Model 3 about the effects of industry on IFRS adoption. Section 6.5 provides a summary of the chapter.

6.1 Diagnostic Tests

To assess IFRS adoption in Cambodia, this study looks at three perspectives of companies that are eligible to adopt IFRS. These perspectives are the companies' characteristics, the challenges and practical difficulties, and the effects of industry type on IFRS adoption. Logistic regression was used to investigate the three perspectives of IFRS adoption by Cambodian publicly and non-publicly accounting companies.

To correctly implement logistic regression, the independent variables were tested for outliers and multicollinearity to check if the data were suitable for a logit model. Feng, Xu, Mannor, and Yan (2014) and Harrell (2015) stated that multicollinearity diagnosis could be used to assist in identifying the outliers in logistic regression.

The outlying cases that involved errors in data entry were either corrected or deleted. Correlation analysis and collinearity diagnostics tests were used to identify the multicollinearity problem. Pallant (2007) stated that correlation values of more than 0.8 were treated as problematic for social science research. Thus, this study used a cut-off point of 0.8 to assess the correlation between the model variables. The correlation coefficient between all independent variables showed a low and moderate correlation ($r < 0.8$) (see Tables 6.2, 6.5 and 6.8).

Further, collinearity diagnostics tests were used to assess the collinearity of the independent variables for the three empirical models (see Appendix B). The collinearity diagnostics test included tolerance and the variance inflation factor (VIF) (Menard, 2002). According to Pallant (2007), an independent variable exhibits high collinearity with other independent variables when it has a small value for tolerance (less than 0.10) or a high value for VIF (above 10). All independent variables in

this study's models exhibited tolerance values greater than 0.10 and VIF values below 10. Therefore, the independent variables in this study were considered to be free from multicollinearity problems.

The logistic regression results contain the coefficients, the significance of the p-values and the marginal effects. The marginal effects are used in this study because the dependent variable is a discrete variable. The marginal effects show the immediate changes and predict the probability of the companies' responses to IFRS adoption when there is a unit change in the independent variables in the model. The marginal effects were estimated using STATA 13 software.

6.2 Model 1: Impact of the Companies' Characteristics on IFRS Adoption in Cambodia (RQ1)

The empirical model for the impact of the companies' characteristics on IFRS adoption is based on six characteristics of the companies. These include size, listing status, training, foreign ownership, auditor type, and foreign trading. The size of the independent variable was classified into three sub-categories: *sizeemployee*, *sizecurrentasset* and *sizesale*. The reason for categorising the companies' size into three sub-categories is that these are the requirements for companies when adopting IFRS (discussed in Chapter 2). According to the requirements, company size was categorised into number of employees, assets (excluding land) and turnover. Therefore, a total of eight independent variables were included in Model 1. The maximum likelihood (ML) estimates t-values, marginal effects and summary statistics of the model have been included in Model 1's results (refer to Table 6.1).

The goodness-of-fit test results showed that the data met the requirements of Model 1 and had significant explanatory power. The chi-square statistic was 77.31 ($p \leq 0.01$). The Hosmer and Lemeshow tests show there were no significant differences between the observed values and the predicted values for the companies' characteristics ($R^2 = 0.274, P > 0.1$). Model 1 correctly predicted 82.22 per cent of the companies' characteristics impacted on IFRS adoption (see Table 6.3).

Table 6.1 shows the descriptive statistics of the variables used in Model 1. There are eight independent variables, three of which represent the size of the companies. The variable *sizeemployee* represents the size of the companies, as measured by the number of employees. The companies' size, as measured by the number of employees (s*izeemployee*) were classified into: (1) between 1 and 10 (base level); (2) between 11 and 50; (3) between 51 and 99; and (4) 100 and above. It has a mean value of between 2 and 3, which means, on average, that the sample companies have between 11 and 99 employees. The variable, *sizecurrentasset,* represents the size of the companies measured by the values of their current assets. The variable, *sizecurrentasset,* divides

their current assets into four groups: lower than 200,000,000 Riel (approximately lower than US$ 50,000 (referred to as group 1), from 200,000,001 Riel to 1,000,000,000 Riel (approximately US$50,001 to US$250,000) (group 2), from 1,000,000,001 Riel to 2,000,000,000 Riel (approximately US$250,001 to US$500,000) (group 3), and more than 2,000,000,000 (approximately more than US$500,001) (group 4). The variable, *sizecurrentasset,* has a mean value of between 2 and 3, which implies that, on average, the sample companies had current assets of between US$50,001 and US$500,000. The variable, *sizesale* is divided into five categories: from 0 Riel to 250,000,000 Riel (approximately US$0 to US$62,500) (referred to as group 1), from 250,000,001 Riel to 700,000,000 Riel (approximately US$62,501 to US$175,000)(group 2), from 700,000,001 Riel to 3,000,000,000 Riel (approximately US$175,001 to US$750,000)(group 3), from 3,000,000,001 Riel to 4,000,000,000 Riel (approximately US$750,001 to US$1,000,000) (group 4) and more than 4,000,000,001 Riel (approximately more than US$1,000,000)(group 5). The mean values of the variable, *sizesale,* are between two and three, which means that, on average, the companies' total sales are between US$62,501 and US$750,000. The variables represent the listing status, training, auditor type, and foreign trading, and have mean values between 0 and 0.5. This implies that more of the sampled companies are not listed on any stock exchange, do not provide accounting training, do not have the Big 4 as their external auditor and do not undertake foreign trade. The variable foreign ownership has mean values between 0.5 and 1, which implies that the companies that are partially or fully owned by foreigner(s) participated in this study more than locally owned companies (see Table 6.1).

Table 6-1 Descriptive Statistics of the Independent Variables - Model 1

Variables	Minimum	Maximum	Mean	Std. deviation
sizeemployee	1	4	2.490	1.214
sizecurrenasset	1	4	2.635	1.228
Sizesale	1	5	2.737	1.663
Lst	0	1	0.160	0.368
Trn	0	1	0.362	0.481
Foro	0	1	0.564	0.497
Aud	0	1	0.321	0.468
Fort	0	1	0.328	0.470

Table 6.2 presents the Pearson R coefficients of Model 1. In Model 1, the coefficient of the variables indicates positive correlations between IFRS adoption and the companies' characteristics. The

coefficients of the companies' sizes (*sizeemployee, sizecurrentasset*, and *sizesale*), listing status, training, foreign ownership, auditor type and foreign trading are positively associated with IFRS adoption. This is consistent with the earlier description of the companies' characteristics in Chapter 4. The Pearson correlation coefficients between the variables show low and moderate correlations (r < 0.8) (see Table 6.2).

Table 6-2 Correlation Matrix for the Companies' Characteristics of Model 1 Variables

. corr									
(obs=225)									
	ifrsad~n	*sizeem~e*	*sizecu~t*	*sizesale*	*lst*	*trn*	*foro*	*aud*	*fort*
ifrsad~n	1.0000								
sizeem~e	0.2839	1.0000							
sizecu~t	0.2875	0.7075	1.0000						
sizesale	0.3490	0.7530	0.6901	1.0000					
lst	0.3081	0.3546	0.2977	0.3244	1.0000				
trn	0.3569	0.2877	0.3347	0.3340	0.2514	1.0000			
foro	0.3471	0.2609	0.1917	0.2286	0.3355	0.1524	1.0000		
aud	0.3285	0.4847	0.5763	0.4852	0.3629	0.3922	0.2874	1.0000	
fort	0.1351	0.2315	0.1884	0.3092	0.2762	0.0539	0.2199	0.1204	1.0000

Table 6.3 presents the logit results of Model 1 that identifies the companies' characteristics that influence the IFRS adoption decision. The results show that three variables are significant: *sizesale* at the 5 per cent level ($p \leq 0.05$), *trn* at the 1 per cent level ($p \leq 0.01$), and *foro* at the 1 per cent level ($p \leq 0.01$), while the other five were insignificant (*sizeemployee, sizecurrentasset, lst, aud, fort*). The listing status (*lst*) coefficient is positive but insignificant. Previous studies by Edeigba (2017) and Guerreiro et al. (2012) found that listed companies were more likely to adopt IFRS. However, there is not sufficient evidence here to make a conclusion for the impact of listing status on IFRS adoption. Similarly, the auditor type coefficient is positive but insignificant. The results indicate that whether the companies were audited by the Big 4, or not, does not contribute to the IFRS adoption decision of the companies. The foreign trading (*fort*) coefficient is small and insignificant. This indicates whether the companies have cross-border operations; it does not have a significant impact on the decision of the companies to adopt IFRS.

6.2.1 Size

The companies' size as measured by total sales has five groups: from 0 Riel to 250,000,000 Riel (approximately US$0 to US$62,500) (referred to as group 1), from 250,000,001 Riel to 700,000,000 Riel (approximately US$62,501 to US$175,000)(group 2), from 700,000,001 Riel to 3,000,000,000 Riel (approximately US$175,001 to US$750,000)(group 3), from 3,000,000,001 Riel to 4,000,000,000 Riel (approximately US$750,001 to US$1,000,000) (group 4) and more than 4,000,000,001 Riel (approximately more than US$1,000,000)(group 5). In the logit model of this study, group 1 is the

base level. The companies' sizes measured by total sales (*sizesale*) comprise two groups that are positive and significant at the 5 per cent level ($p \leq 0.05$). The results show the marginal effects of the companies in groups 3 and 5 were 0.279 and 0.325, respectively. This implies that the probability of IFRS adoption increases by 27.9 per cent when the sample companies have total sales of between US$175,001 and US$750,000. Further, the probability of IFRS adoption increases by 32.5 per cent when the sample companies have total sales of more than US$1,000,000 (see Table 6.3). This finding is consistent with Guerreiro et al. (2012), who stated that the size of the company has an effect on IFRS adoption. Larger companies are more likely to adopt IFRS because they exhibit a greater level of preparedness for its adoption. Similarly, André et al. (2012), Bassemir (2018), Dumontier and Bernard (1998), Y. Li (2007), Mantzari et al. (2017), and Uyar et al. (2016) documented the influence of company size on IFRS adoption. Bassemir (2018) indicated that larger sized companies were more likely to adopt IFRS because they were capable of dealing with the costs of adoption. On the other hand, Mantzari et al.'s (2017) study on voluntary IFRS adoption in Greece suggested that smaller companies have limited resources to satisfy the disclosure requirements and apply new financial reporting systems; thus, they were less likely to adopt IFRS.

Table 6-3 Logit Results for Model 1

Company characteristics	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
Sizeemployee					
2	-0.920	0.597	-1.540	0.123	-0.172
3	0.528	0.800	0.660	0.510	0.127
4	-0.673	0.739	-0.910	0.363	-0.134
Sizecurrentasset					
2	0.308	0.663	0.460	0.642	0.066
3	-0.714	0.838	-0.850	0.394	-0.118
4	-0.283	0.777	-0.360	0.716	-0.053
Sizesale					
2	0.911	0.652	1.400	0.162	0.134
3	1.574**	0.760	2.070	0.038	0.279
4	0.391	0.936	0.420	0.676	0.048
5	1.763**	0.771	2.290	0.022	0.325
Lst	0.708	0.524	1.350	0.177	0.134
Trn	1.300***	0.383	3.390	0.001	0.246
Foro	1.513***	0.420	3.600	0.000	0.286
Aud	0.222	0.466	0.480	0.634	0.042
Fort	0.060	0.398	-0.150	0.880	0.011
Constant	-2.964***	0.552	2.140	0.000	
Number of observations	225				
Log Likelihood function	-102.389				
Chi-squared	77.31				
Prob > chi2	0.0000				

Company characteristics	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
Df	15				
Pseudo R^2	0.2741				
Hosmer-Lemeshow	13.04				
PCP	82.22%				

*, **, *** denote statistical significance at the 1, 5, 10 per cent levels

6.2.2 Training

The training (*trn*) coefficient is positive and significant at the 1 per cent level ($p \leq 0.01$). The marginal effect of the variable training is 0.246. This implies that the probability of IFRS adoption increases by 24.6 per cent when the sample companies provide accounting training to their employees. This finding was also reported by Uyar et al. (2016), who stated that the companies that trained their employees about accounting standards were more likely to implement the standards. Likewise, the study of Nurunnabi (2015) stated that the lack of training in the accounting profession had a negative influence on the implementation of IFRS in Bangladesh.

6.2.3 Foreign Ownership

The foreign ownership (*foro*) coefficient is positive and significant at the 1 per cent level ($p \leq 0.01$). The marginal effect of foreign ownership (*foro*) is 0.286. This implies that the probability of IFRS adoption increases by 28.6 per cent when the sample companies are owned by foreigner(s) (either partially or fully). Previous studies have demonstrated that foreign ownership was significant for compliance with the IFRS (Bova & Pereira, 2012; Uyar et al., 2016). Foreign investors induce greater compliance with IFRS because it improves the monitoring of the firms and reduces information asymmetries (Bova & Pereira, 2012).

6.3 Model 2: Challenges of IFRS adoption in Cambodia (RQ2)

Model 2 investigates the challenges of IFRS adoption in Cambodia. The challenges include a company's readiness to adopt IFRS, confusion of IFRS with other regulatory requirements, the valuation of accounting items, and enforcement of IFRS.

Table 6.4 shows the descriptive statistics of the independent variables that measure the influence of challenges for IFRS adoption in Cambodia. The mean values of the challenges are 0, and the standard deviation is 1, which means the independent variables are normally distributed. The factor scores obtained from four-factor analysis are used in the logit model in addition to the companies' characteristics variables.

Table 6-4 Descriptive Statistics of the Independent Variables - Model 2

Variables	Minimum	Maximum	Mean	Std. deviation
sizeemployee	1	4	2.490	1.214
sizecurrenasset	1	4	2.635	1.228
Sizesale	1	5	2.737	1.663
Lst	0	1	0.160	0.368
Trn	0	1	0.362	0.481
Foro	0	1	0.564	0.497
Aud	0	1	0.321	0.468
Fort	0	1	0.328	0.470
Ready	-3.074	2.710	0	1
Confus	-2.476	2.967	0	1
Val	-3.748	2.677	0	1
Enforce	-2.122	3.522	0	1

Table 6.5 shows the Pearson R coefficients of the negative relationships between IFRS adoption and the challenges of IFRS adoption. The Pearson correlation coefficients between the variables show low and moderate correlations (r < 0.8) (see Table 6.5). Table 6.6 presents the logit results for Model 2.

Table 6.6 indicates that the goodness-of-fit test confirmed the data met the requirements of Model 2 and the data had significant explanatory power. The chi-square statistic was 103.49 ($p \leq 0.01$). The Hosmer and Lemeshow tests showed there were no significant differences between the observed and predicted values in the companies' characteristics ($R^2 = 0.407, P > 0.1$). Model 2 correctly predicted 85.57 per cent of the companies' characteristics that impacted on IFRS adoption (see Table 6.6).

Model 2 is an extension of Model 1. The companies' characteristics from Model 1 are used as control variables in Model 2; which shows similar results as in Model 1. The training (*trn*) coefficient is positive and significant at the 10 per cent level ($P \leq 0.1$). The marginal effect of the variable training is 0.14. This result shows that the probability of IFRS adoption increases by 14 per cent when the sample companies provide accounting training to their employees. The foreign ownership (*foro*) coefficient is positive and significant at the 1 per cent level ($p \leq 0.01$). The marginal effect of the variable foreign ownership is 0.288. The results show that the probability of IFRS adoption increases by 28.8 per cent when the sample companies are owned partially or fully by foreign national(s).

The variable company sizes, as measured by total sales (*sizesale*), have five levels: from 0 Riel to 250,000,000 Riel (approximately US$0 to US$62,500) (referred as group 1)(the base level), from 250,000,001 Riel to 700,000,000 Riel (approximately US$62,501 to US$175,000)(group 2), from

700,000,001 Riel to 3,000,000,000 Riel (approximately US$175,001 to US$750,000)(group 3), from 3,000,000,001 Riel to 4,000,000,000 Riel (approximately US$750,001 to US$1,000,000) (group 4) and more than 4,000,000,001 Riel (approximately more than US$1,000,000)(group 5). The group 5 coefficient is positive and significant at the 5 per cent level ($p \leq 0.05$). The marginal effect of group 5 is 0.339. This implies that the probability of IFRS adoption increases by 33.9 per cent when the sample companies have total sales of more than US$1,000,000. The companies' sizes, as measured by the number of employees (s*izeemployee*), have four categories of employees: (1) between 1 and 10 (base level); (2) between 11 and 50; (3) between 51 and 99; and (4) 100 and above. The Group 2 coefficient is negative and significant at the 5 per cent level ($p \leq 0.05$). The marginal effect on group 2 is -0.273. This implies that the probability of IFRS adoption decreases by 27.3 per cent when companies employ between 11 and 50 people. This outcome is contrary to Mantzari et al. (2017) who found that the majority of IFRS adopters in Greece were medium and larger sized companies, as measured by the number of employees. This inconsistency may be due to the fact that in Model 2, the factors related to the challenges for IFRS adoption were included in the model. One of the significant factors is the companies' readiness to adopt IFRS is associated with the limitations of the employees' accounting skills and experience. Therefore, a possible explanation for this result may be that the more employees the companies have, the greater the challenge for them to train their employees to be ready to adopt IFRS.

The listing status (*lst*) coefficient is positive and significant at the 10 per cent level ($p \leq 0.1$). The marginal effects of the variable listing status exhibit a value of 0.214. This implies that the probability of IFRS adoption increases by 21.4 per cent when the sample companies are listed companies in CSX, and both CSX and the foreign stock exchange (see Table 6.6). This finding was also reported by Uyar et al. (2016) who stated that listed companies were more likely to adopt IFRS. Uyar et al. (2016) indicated that their results could be influenced by the mandatory IFRS adoption for listed companies.

The Model 2 results show the readiness of the companies to adopt IFRS (*ready*), confusion with other regulatory requirements (*confus*), and valuation of the accounting items (*val*) are significant at the 10??, 1, and 10 per cent levels, respectively (see Table 6.6). Among these four factors, the challenge regarding the low level of enforcement (*enforce*) is not significant in the challenges of IFRS adoption. This result shows that the challenge regarding the lack of enforcement of the IFRS (*enforce*) coefficient is insignificant.

Table 6-5 Correlation Matrix for the Challenges of Adoption - Model 2 Variables

. corr													
(obs=201)													
	ifrsad~n	*sizeem~e*	*sizecu~t*	*sizesale*	*lst*	*trn*	*foro*	*aud*	*fort*	*ready*	*confus*	*val*	*enforce*
ifrsadoption	1.0000												
sizeemployee	0.3109	1.0000											
sizecurrentasset	0.3360	0.7048	1.0000										
sizesale	0.3873	0.7669	0.7067	1.0000									
lst	0.3612	0.3436	0.3057	0.3292	1.0000								
trn	0.3751	0.2903	0.3312	0.3380	0.2643	1.0000							
foro	0.3872	0.2863	0.2084	0.2647	0.3568	0.1539	1.0000						
aud	0.3684	0.4773	0.5667	0.5010	0.3909	0.3751	0.3234	1.0000					
fort	0.1361	0.2253	0.1951	0.3238	0.2831	0.0390	0.2421	0.1134	1.0000				
ready	-0.1356	0.0590	0.0418	-0.0206	-0.0634	-0.0639	-0.0262	0.0417	-0.0978	1.0000			
confus	-0.2773	-0.0700	-0.0878	-0.0428	-0.0733	-0.2494	-0.0538	-0.0708	-0.1395	0.0072	1.0000		
val	-0.1182	-0.0203	-0.0087	-0.0688	-0.0815	0.0199	-0.1083	-0.0658	-0.1923	0.0004	0.0236	1.0000	
enforce	-0.0671	-0.0533	-0.0319	-0.0800	-0.0637	-0.0242	-0.0292	0.0161	0.0928	0.0139	0.0123	-0.0249	1.0000

6.3.1 Companies' Readiness to Adopt IFRS

The companies' readiness to adopt IFRS refers to their preparedness for adopting IFRS. The companies' readiness to adopt the IFRS (*ready*) coefficient is negative and significant at the 10 per cent level ($p \leq 0.1$). Based on the marginal effects, these results indicated that a unit change in the companies' readiness to adopt IFRS was most likely to decrease IFRS adoption by 0.069. There are several possible explanations for this result. The negative coefficient of this variable indicates that staff knowledge and experience are challenges to IFRS adoption. Staff knowledge and experience indicate the ability of the preparers of financial statements in applying for IFRS recognition, measurements, and disclosure requirements in the preparation of financial statements (Edeigba, 2017). This finding broadly supports the work of other studies in this area linking IFRS adoption and the limitations of staff knowledge and experience in Nigeria, Australia, New Zealand, and Romania (Ball, Li, & Shivakumar, 2015; Brüggemann et al., 2013; Edeigba, 2017; Istrate, 2015; Jones & Higgins, 2006; Zijl & Bradbury, 2006). This study confirms the report by Barnett (2016) that a lack of human resources to implement IFRS was a challenge to implementing accounting standards in Cambodia.

Another possible explanation for this result is that companies experiencing increases in the cost of preparing financial statements are more likely not to adopt IFRS. This result is similar to the results of Edeigba (2017), who also found that the costs of adoption were a challenge to IFRS adoption in Nigeria. Further, Edeigba (2017) added that the cost of adoption includes training costs, hiring new staff, costs of upgrading technologies and internal control systems. This finding also confirms Barnett's (2016) report on accounting standards implementation in Cambodia that states that the costs of complying with IFRS are too high.

Table 6-6 Logit Results for Model 2

Challenges of IFRS adoption	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
sizeemployee					
2	-1.633**	0.738	-2.210	0.027	-0.273
3	-0.056	0.862	-0.060	0.948	-0.013
4	-0.926	0.849	-1.090	0.276	-0.185
sizecurrentasset					
2	1.244	0.814	1.530	0.126	0.224
3	-0.033	1.014	-0.030	0.974	-0.004
4	0.546	0.876	0.620	0.533	0.081
sizesale					
2	-0.221	0.774	-0.280	0.776	-0.023
3	1.214	0.894	1.360	0.174	0.207
4	-0.141	1.130	-0.130	0.900	-0.015
5	1.767**	0.889	1.990	0.047	0.339

Challenges of IFRS adoption	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
lst	1.241*	0.678	1.830	0.067	0.214
trn	0.813*	0.453	1.800	0.072	0.140
foro	1.675***	0.495	3.380	0.001	0.288
aud	0.344	0.566	0.610	0.543	0.059
fort	-0.558	0.530	-1.050	0.293	-0.096
ready	-0.401*	0.210	-1.900	0.093	-0.069
confus	-1.046***	0.281	-3.730	0.000	-0.180
val	-0.382*	0.227	-1.680	0.093	-0.066
enforce	-0.096	0.235	-0.410	0.683	-0.017
Constant	-2.977***	0.598	-4.98	0.000	
Number of observations	201				
Log Likelihood function	-75.488				
Chi-squared	103.49				
Prob > chi2	0.0000				
df	19				
Pseudo R^2	0.407				
Hosmer-Lemeshow	5.94				
PCP	85.57%				

*, **, *** denote statistical significance at the 1, 5, 10 per cent levels

6.3.2 Confusion with Other Regulatory Requirements

Confusion with other regulatory requirements (*confus*) has a negative impact on IFRS adoption at the 1 per cent level ($p \leq 0.01$). This means that the companies that experience confusion between IFRS and other regulatory requirements are less likely to adopt IFRS. The marginal effect is -0.180 (see Table 6.6). The result may be explained by the fact that a unit change in confusion with other regulatory requirements will likely decrease IFRS adoption by 18 per cent. The result corroborates the findings of previous work by Edeigba (2017) that the inconsistencies in legal requirements made it difficult for companies in Nigeria to adopt IFRS. A similar finding was also reported in the case of Libyan companies, that the inconsistencies between Libyan accounting regulations and IFRS hindered IFRS adoption by Libyan companies (Zakari, 2014).

This study also confirms a report about the implementation of accounting standards and statutory audits in the Kingdom of Cambodia by Barnett (2016). Barnett (2016) reported that there was a difference between IFRS and the tax basis for accounting in Cambodia. The differences were in the determination of income and the expense of IFRS and tax regulations. This confusion would either lead to the companies needing to prepare two sets of financial statements (for both IFRS and tax purposes) or the companies failing to comply with either the tax regulations or IFRS.

6.3.3 Valuation of Accounting Items

The valuation of accounting items (*val*) is negative and significant at the 10 per cent level ($p \leq 0.1$). This suggests that the sample companies in this study face difficulties in calculating accounting values with IFRS policies. This result implies that the greater the difficulty in understanding the procedures and policies of IFRS, and the difficulties in calculating accounting items using IFRS, the less likely the companies will adopt IFRS. The marginal effect result shows that a unit change in the valuation of accounting items will result in a 6.6 per cent likelihood that companies will not adopt IFRS. This finding is consistent with Edeigba's (2017) study, who found that the valuation of accounting items was a challenge to IFRS adoption in Nigeria.

The results are also similar to Bova and Pereira's (2012) study, which documented the difficulties Kenyan companies experienced in the valuation of accounting items using IFRS. Non-disclosure of revenue, exclusion of notes on inventory valuation policies, and inaccurate values of property, plant and equipment, were reported as errors in financial statements by Kenyan companies (Bova & Pereira, 2012).

6.4 Model 3: Effects of Industry Type on IFRS Adoption in Cambodia (RQ3)

Model 3 assesses the effects on industries of IFRS adoption. Table 6.7 shows the descriptive statistics for the independent variables of Model 3. The variables consist of a dummy variable for industry type and the companies' characteristics. The data are fit for analysis based on the collinearity diagnostics test using tolerance and VIF (see Appendix B). The mean values of the variables that represent industry type are less than 1, and the standard deviations are less than 1. This indicates that there is no outlier that could potentially affect the results (see Table 6.7).

Table 6-7 Descriptive Statistics of the Independent Variables - Model 3

Variables	Minimum	Maximum	Mean	Std. deviation
sizeemployee	1	4	2.490	1.214
sizecurrenasset	1	4	2.635	1.228
sizesale	1	5	2.737	1.663
lst	0	1	0.160	0.368
trn	0	1	0.362	0.481
foro	0	1	0.564	0.497
aud	0	1	0.321	0.468
fort	0	1	0.328	0.470
arg	0	1	0.027	0.162
manu	0	1	0.169	0.376
util	0	1	0.035	0.183
cons	0	1	0.085	0.279

Variables	Minimum	Maximum	Mean	Std. deviation
trad	0	1	0.142	0.350
hotel	0	1	0.035	0.183
trans	0	1	0.065	0.248
tele	0	1	0.027	0.162
fin	0	1	0.269	0.444
edu	0	1	0.031	0.173
heal	0	1	0.008	0.088
tour	0	1	0.008	0.088
other	0	1	0.100	0.301

Table 6.8 shows the Pearson R coefficients of the relationships between IFRS adoption and industry type. The estimated coefficient shows both positive and negative associations between IFRS adoption and industry type. The Pearson correlation coefficients between the variables show low and moderate correlations (r < 0.8). The logistic regression results of the effect of industry type are presented in Table 6.9.

Table 6.9 indicates that the goodness-of-fit test confirmed the data fitted Model 3's requirements and the data have significant explanatory power. The chi-square statistics is 91.17 ($p \leq 0.01$). The Hosmer and Lemeshow tests show there are no significant differences between the observed values and predicted values for the companies' characteristics ($R^2 = 0.333, P > 0.1$). Model 3 correctly predicted 82.24 per cent of the companies' characteristics that impacted on IFRS adoption.

The results show that only the financial industry (*fin*) has a significant influence on IFRS adoption at the 10 per cent level ($p \leq 0.1$) (see Table 6.9). Four of the variables that represent industry type: namely, agriculture (*arg*), health (*heal*), tourism (*tour*), and other (*other*), were omitted from the analysis due to no observations by IFRS adopters from those industries. The manufacturing industry (*manu*), electricity, gas, water (*util*), construction/real estate (*cons*), trade (*trad*), hotel and restaurant (*hotel*), transportation (*trans*), telecommunication (*tele*), and education (*edu*) coefficients are insignificant (see Table 6.9).

Model 3 is an extension of Model 1. The company characteristics from Model 1 are used as the control variables in Model 3; and show a similar result as in Model 1. The variation in company size, as measured by total sales, (*sizesale*) has five levels: from 0 Riel to 250,000,000 Riel (approximately US$0 to US$62,500) (referred to as group 1)(the base level), from 250,000,001 Riel to 700,000,000 Riel (approximately US$62,501 to US$175,000)(group 2), from 700,000,001 Riel to 3,000,000,000 Riel (approximately US$175,001 to US$750,000)(group 3), from 3,000,000,001 Riel to 4,000,000,000 Riel (approximately US$750,001 to US$1,000,000) (group 4) and more than 4,000,000,001 Riel (approximately more than US$1,000,000)(group 5). The companies' size coefficients are positive and

significant, in group 3, at the 5 per cent level ($p \leq 0.05$) and, in group 5, at the 10 per cent level ($p \leq 0.1$). The marginal effect for group 3 is 0.387 and for group 5 it is 0.276. This implies that the probability of IFRS adoption increases by 38.7 per cent when the sample companies have total sales of between US$175,001 and US$750,000. Further, the probability of IFRS adoption increases by 27.6 per cent when the sample companies have total sales of more than US$ 1,000,000.

The training (*trn*) coefficient is positive and significant at the 1 per cent level ($p \leq 0.01$). The marginal effect from variable training is 0.301, which means that the probability of IFRS adoption increases by 30.1 per cent when the sample companies provide accounting training to their employees. In addition, the foreign ownership (*foro*) coefficient is positive and significant at the 1 per cent level ($p \leq 0.01$). The marginal effect of the variable foreign ownership is 0.326. This implies that the probability of IFRS adoption increases by 32.6 per cent when the sample companies are owned partially or fully by foreign national(s).

The manufacturing industry (*manu*) coefficient is relatively large and negative, but there is no evidence that the companies in this industry are unlikely to adopt IFRS. Similarly, a study by Andre et al. (2012) found that the manufacturing industry did not affect the IFRS adoption decision by United Kingdom's listed firms. Previous literature has stated that IFRS was more suitable for the financial industry in Japan than the manufacturing industry and, if the manufacturing industry needed to prepare financial statements in accordance with IFRS, it will lose its strong competitiveness (Wachi, BAC, 2011a, as cited in Tsunogaya et al., 2015).

The construction industry (*cons*) coefficient is positive and large, but insignificant. The finding is consistent with the previous study by Edeigba (2017) showing that companies in the construction industry in Nigeria are likely to adopt IFRS. This result shows that there is no evidence to confirm that the companies in that industry are likely to adopt IFRS.

Table 6-8 Correlation Matrix for Industry Type - Model 3 Variables

. corr																						
(obs=224)																						
	ifrsad~n	*sizeem~e*	*sizecu~t*	*sizesale*	*lst*	*trn*	*foro*	*aud*	*fort*	*arg*	*manu*	*util*	*cons*	*trad*	*hotel*	*trans*	*tele*	*fin*	*edu*	*heal*	*tour*	*other*
ifrsadoption	1.0000																					
sizeemployee	0.2890	1.0000																				
sizecurrentasset	0.2886	0.7087	1.0000																			
sizesale	0.3502	0.7549	0.6901	1.0000																		
lst	0.3073	0.3582	0.2980	0.3248	1.0000																	
trn	0.3554	0.2933	0.3360	0.3349	0.2504	1.0000																
foro	0.3500	0.2570	0.1910	0.2285	0.3378	0.1559	1.0000															
aud	0.3270	0.4909	0.5779	0.4862	0.3622	0.3907	0.2911	1.0000														
fort	0.1333	0.2364	0.1890	0.3100	0.2753	0.0516	0.2232	0.1184	1.0000													
arg	-0.1140	-0.1162	-0.1157	-0.0795	-0.0690	-0.1285	-0.0782	-0.0619	0.0616	1.0000												
manu	0.0019	0.1624	0.0048	0.1724	0.0348	-0.0193	0.1186	-0.018	0.2102	-0.0702	1.0000											
util	-0.0921	-0.0299	-0.0042	-0.0432	-0.0850	-0.0176	-0.1423	-0.1002	0.0032	-0.0339	-0.0865	1.0000										
cons	0.0649	-0.0089	0.1022	0.0184	-0.0361	-0.0703	-0.1220	-0.1191	-0.0066	-0.0505	-0.1288	-0.0623	1.0000									
trad	-0.0898	-0.1409	-0.1879	-0.1802	0.0103	-0.0791	-0.0294	-0.2149	0.0156	-0.0677	-0.1727	-0.0835	-0.1243	1.0000								
hotel	-0.0921	-0.0299	-0.1334	-0.0843	-0.0850	-0.0646	-0.1882	-0.1002	-0.0938	-0.0339	-0.0865	-0.0419	-0.0623	-0.0835	1.0000							
trans	0.0987	-0.0633	-0.0852	-0.0347	0.1008	-0.1238	0.0395	0.0073	0.0959	-0.0428	-0.1092	-0.0528	-0.0786	-0.1054	-0.0528	1.0000						
tele	0.1226	-0.0472	-0.0483	0.0372	0.0091	0.0428	-0.0224	0.0546	-0.1154	-0.0275	-0.0702	-0.0339	-0.0505	-0.0670	-0.0339	-0.0428	1.0000					
fin	0.0725	0.2500	0.4230	0.2212	0.1553	0.3266	0.1140	0.4994	-0.0813	-0.1049	-0.2675	-0.1294	-0.1925	-0.2582	-0.1294	-0.1633	-0.1049	1.0000				
edu	0.0042	-0.0012	-0.0259	-0.0961	-0.0690	-0.0714	-0.0782	-0.0619	-0.1154	-0.0275	-0.0702	-0.0399	-0.0505	-0.0677	-0.0339	-0.0428	-0.0275	-0.1049	1.0000			
heal	-0.0653	-0.0007	-0.0148	0.0117	-0.0395	0.0245	-0.0128	-0.0687	-0.066	-0.0157	-0.0402	-0.0194	-0.0289	-0.0387	-0.0194	-0.0245	-0.0157	-0.06	-0.0157	1.0000		
tour	-0.0653	-0.1191	-0.1304	-0.1027	-0.0395	-0.0735	-0.0128	-0.0687	-0.0660	-0.0157	-0.0402	-0.0194	-0.0289	-0.0387	-0.0194	-0.0245	-0.0157	-0.06	-0.0157	-0.009	1.0000	
other	0.0082	-0.1870	-0.2180	-0.1356	-0.1337	-0.0593	0.1265	-0.1683	-0.0276	-0.0534	-0.1361	-0.0658	-0.0979	-0.1313	-0.0658	-0.0830	-0.0534	-0.2034	-0.0534	-0.0305	-0.0305	1.0000

6.4.1 Financial Industry

The financial industry (*fin*) coefficient is negative and significant at the 10 per cent level. The results of the marginal effect on the financial industry in Table 6.9 show that companies in the financial industry are unlikely to adopt IFRS. The marginal effect of the variable finance industry is -0.261. This means that a unit increase in the number of companies in the financial industry will decrease the IFRS adoption by 26.1 per cent. This result was inconsistent with previous studies by Edeigba (2017) and Jones and Higgins (2006), who found that companies in the financial industry were more willing to invest their resources for IFRS adoption than companies from other industries.

This inconsistency may be due to the effect of postponements in the implementation of IFRS in Cambodia on the financial sector. As discussed in the background of accounting standards in Cambodia in Chapter 2, it was known that there have been two postponements in the implementation of IFRS standards for the financial industry. The initial implementation for IFRS was in 2012, but it was postponed until 2016, and then to 2019. This study was conducted from October to December 2018, and this was not during the period for enforcing IFRS in the financial industry. Thus, it can be suggested that the sample companies operating in the financial industry did not have the incentive to adopt IFRS before the new implementation date; therefore, they choose not to adopt IFRS.

Table 6-9 Logit Results for Model 3

Effect of Industry	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
sizeemployee					
2	-1.126	0.694	-1.620	0.104	-0.200
3	-0.169	0.930	-0.180	0.856	-0.037
4	-0.397	0.853	-0.470	0.642	-0.084
sizecurrentasset					
2	0.461	0.770	0.600	0.549	0.093
3	-0.383	0.943	-0.410	0.684	-0.062
4	-0.122	0.934	-0.130	0.896	-0.021
sizesale					
2	0.686	0.731	0.940	0.348	0.094
3	2.013**	0.833	2.420	0.016	0.387
4	0.026	1.031	0.030	0.980	0.003
5	1.562*	0.840	1.860	0.063	0.276
lst	0.449	0.553	0.810	0.416	0.083
trn	1.637***	0.434	3.770	0.000	0.301
foro	1.773***	0.497	3.570	0.000	0.326
aud	0.755	0.588	1.280	0.200	0.139
fort	-0.03	0.454	-0.070	0.947	-0.006

Effect of Industry	*Coef.*	*Std. Err.*	*T-statistics*	*P>|z|*	*Marginal effects*
arg	0	(omitted)			0
manu	-0.749	0.781	-0.960	0.338	-0.138
util	-1.34	1.556	-0.860	0.389	-0.246
cons	1.04	0.946	1.100	0.272	0.191
trad	-0.459	0.783	-0.590	0.558	-0.084
hotel	0.027	1.351	0.020	0.984	0.005
trans	1.228	0.931	1.320	0.187	0.226
tele	1.247	1.339	0.930	0.352	0.229
fin	-1.418*	0.800	-1.770	0.076	-0.261
edu	1.128	1.218	0.930	0.355	0.207
heal	0	(omitted)			0
tour	0	(omitted)			0
other	0	(omitted)			0
Constant	-3.054***	0.859	-3.560	0.000	
Number of observations	214				
Log Likelihood function	-91.08535				
Chi-squared	91.17				
Prob > chi2	0.0000				
df	24				
Pseudo R^2	0.3335				
Hosmer-Lemeshow	4.01				
PCP	82.24%				

*, **, *** denote statistical significance at the 1, 5, 10 per cent levels

6.5 Summary of the Chapter

This chapter discussed the factors that impacted IFRS adoption in Cambodia. The study used logistic regression to test three models related to companies' characteristics and challenges, and the effect of industry type on IFRS adoption. The results for Model 1 show that company size, as measured by total sales, training, and foreign ownership, contributed to IFRS adoption. In Model 2, the companies' readiness to adopt IFRS, the confusion with other regulatory requirements, and the valuation of accounting items were negatively associated with IFRS adoption, which meant they were the factors that hindered IFRS adoption. The results for Model 3 show that companies operating in the financial industry were less likely to adopt IFRS. This contradicted previous studies' results. This contradictory result may be due to the specific case of Cambodia at the time of conducting the study in that the financial industry was granted permission to postpone IFRS implementation until 2019.

Chapter 7

Summary and Conclusions

This chapter provides the conclusion of this study and a summary of the findings. Section 7.1 gives an overview of the research. Section 7.2 provides a summary of the research process, and this is followed by a summary of the findings of this study in Section 7.3. Section 7.4 provides the theoretical and practical implications of this study, and this is followed by the limitations of the study in Section 7.5. Section 7.6 provides suggestions for future research.

7.1 An Overview of the Rationale for the Research

After the endorsement of IFRS from the EU, in 2005, there was widespread adoption of IFRS across the world (Ball, 2016) and many countries have adopted IFRS, such as Australia, New Zealand, South Africa, China, Kenya and Nigeria (Edeigba, 2017). At the time of this study, a total of 149 jurisdictions across the globe have adopted IFRS (IFRS Foundation, 2016b). In 125 of 149 jurisdictions, the publicly accounting companies from those countries have obligations to prepare the financial statements based on IFRS, while the rest permit their usage.

In 2012, following the increased IFRS adoption globally, the NAC required all publicly accounting companies in Cambodia to adopt IFRS, and the non-publicly accounting companies that met the requirements to submit their financial statements for an external audit to adopt IFRS for SMEs, in 2010. However, the implementation of IFRS adoption for the financial sector was postponed twice, in 2012 and 2016. The new implementation date of IFRS for the financial sector is set to be in 2019.

The NAC has been working to promote the understanding of IFRS and IFRS for SMEs for publicly accounting and non-publicly accounting companies. However, the reports of the compliance level were very limited, and studies of the challenges and difficulties of publicly and non-public accounting companies in complying with the NAC requirements on IFRS adoption were scarce. Therefore, this study fills the gap in understanding the challenges of IFRS adoption as experienced by publicly and non-publicly accounting companies in Cambodia.

The report by Barnett (2016) indicated that the majority of companies in Cambodia did not implement the accounting standards that they were legally required to adopt. Some factors like size and ownership structure were reported as the factors that influenced the accounting standards adoption in Cambodia.

Previous studies have investigated IFRS adoption in different jurisdictions and focused on different aspects. The effect of companies' characteristics has been investigated by many researchers, such as, Al-Shammari et al. (2008), André et al. (2012), Bassemir (2018), Bova and Pereira (2012), (Dumontier & Bernard, 1998), Edeigba (2017), Guerreiro et al. (2008), Y. Li (2007), Mantzari et al. (2017) and Uyar et al. (2016). In previous studies on IFRS adoption and the challenges of IFRS adoption have been investigated. These challenges include the cost of adoption, the lack of skilled staff , inconsistencies between IFRS and local regulatory requirements, the valuation of accounting items, and the enforcement of IFRS (Barnett, 2016; Cook et al., 2008; Edeigba, 2017; Faraj & El-Firjani, 2014; Guerreiro et al., 2012; Eva K. Jermakowicz & Gornik-Tomaszewski, 2006; Jones & Higgins, 2006; Kasum, 2011; Pawsey, 2017; Zakari, 2014). A number of authors have also focused on the influence of industry type on IFRS adoption (Ball, 2016; Edeigba, 2017; Hashemi, 2016; Idemudia, 2013; Jaafar & McLeay, 2007; Wachi, BAC, 2011a, as cited in Tsunogaya et al., 2015). These researchers believed these factors influenced companies to adopt IFRS.

However, understanding about the challenges of IFRS adoption in Cambodia is very limited. There has been no empirical study that has focused on IFRS adoption in Cambodia. To understand IFRS adoption in Cambodia, this study investigated the relationship between IFRS adoption and various factors that influenced companies' decisions to adopt IFRS. Those factors include the companies' characteristics, the challenges, and the effects of industry type. The study on IFRS adoption and its related challenges are consistent with the previous work of Edeigba (2017), Uyar et al. (2016) and Zakari (2014).

The main objective of this study includes the identification of the companies' characteristics that influence IFRS adoption in Cambodia. The study also investigates the challenges the publicly and non-publicly accounting companies in Cambodia face in IFRS adoption. Further, this study sought to examine the effect of industry type on IFRS adoption.

7.2 The Research Process

This study began with reviewing the financial reporting environment and the development of accounting standards in Cambodia. Next, it progressed by reviewing the relevant literature on the development of IFRS, the issues related to IFRS adoption, and the relevant theories. The research design and methodology were chosen in accordance with the availability of the data. A survey questionnaire was used to collect the data for this study. The data were analysed using the chi-square test, t-test, and factor analysis, and hypothesis testing was used to

examine the influence of the companies' characteristics, the challenges, and the effect of industry type on IFRS adoption. A summary of the study is discussed below.

Chapter 2 reviews the Cambodian financial reporting environment. The Cambodian accounting system is divided into seven main periods based on the political systems and the governments. The first western accounting system introduced to Cambodia was documented in the 19th century when Cambodia was under French colonisation. Following frequent regime changes, the Cambodian accounting system was also changed by the political and economic systems of the country.

Significant development of accounting standards in Cambodia took place from 1999 in which the Research Committee for International Accounting Standards was established. The year, 2003, marked the establishment of the NAC, the national regulator of accounting standards in Cambodia. IFRS and IFRS for SMEs were adopted in 2009 and set to be implemented in 2010 for IFRS for SMEs, and in 2012 for IFRS. However, for banks, microfinance institutions, and insurance companies, the implementation of IFRS was postponed twice, in 2012 and 2016; the new implementation date is set to be in 2019. The NAC set different criteria for IFRS and IFRS for SMEs to Cambodian publicly and non-publicly accounting companies.

The challenges of IFRS adoption have been documented in a report by Barnett (2016). Different challenges were reported, including the lack of skilled staff, the high costs of adoption, the inconsistency with tax accounting, the lack of interest in IFRS from the management of companies, and the lack of enforcement. However, those challenges have not been empirically researched. Thus, the understanding of the problems of IFRS adoption in Cambodia was very limited. This study empirically identified those challenges.

Chapter 3 reviewed the literature on IFRS adoption and theories. The literature review discussed the development of IFRS standards. The motivation of the development of IFRS was to have a uniform international accounting standard for the globalisation of businesses and capital markets. The literature also revealed different approaches to IFRS adoption, such as adopting the process of making the standards, rubber-stamping each standard, endorsing the standards with some modifications, wholly covering the national standards, partially adopting or allowing the use of the standards (Zeff & Nobes, 2010).

This study also identified the motivation for adopting IFRS. Some studies believed that IFRS could help increase the transparency, legitimacy and reliability of the financial statements (Bova & Pereira, 2012; Daske & Gebhardt, 2006), reduce information costs (Barth et al., 2008;

Leuz, 2003), and attract investors (Edeigba, 2017); on the other hand, some researchers were against IFRS adoption on the grounds of cultural differences and different institutional structures within different jurisdictions (Irvine & Lucas, 2006b).

This study also identified the issues in IFRS adoption. The literature had already identified several changes in IFRS adoption. For example, the high costs of adoption and the high costs post adoption was documented in Pawsey's (2017) study. The adoption of IFRS required companies to invest significant time and money to upgrade each company's systems, such as internal controls and accounting systems, staff training, and promoting awareness for financial report users. In addition, the costs of staff training and development, external auditor's fees and other expenses for hiring financial statement specialists to help with the adoption, kept increasing. In addition, Faraj and El-Firjani (2014) stated that the lack of training for IFRS adoption was a challenge to IFRS adoption in Libya. The accountants in Libya were unaware of the applications of IFRS and were not capable enough to comply with these accounting standards because there was no relevant training programme for them (Faraj & El-Firjani, 2014). An accounting curriculum that lacked the inclusion of IAS/IFRS was also another major problem. These two points led to another issue, that the preparers of the financial statements were not fully aware of the IAS/IFRS; thus, they had limited ability to implement the standards (Faraj & El-Firjani, 2014). This study assessed IFRS adoption using three aspects; the characteristics of the companies, the challenges of IFRS adoption that the companies experienced, and the effect from industry type.

Several theories can be used to explain the adoption of accounting standards. They include agency theory, regulatory theory, public interest theory, legitimacy theory, stakeholder theory and institutional theory. Based on the theories and the literature, a conceptual model for this study was developed with a focus on the companies' characteristics, challenges and industry type.

Chapter 4 discussed the methodology and data of this study. A structured survey questionnaire was used to collect the data from the representative of the companies eligible to adopt IFRS about their perception and experience of IFRS adoption. The survey instrument was related to the accounting practices, perceptions about accounting practices and IFRS adoption in Cambodia, challenges the companies faced in IFRS adoption, challenges that hindered IFRS adoption, and the demographics of the respondents. The companies' accountants, financial officers, senior accountants, heads of account and finance who agreed to participate in the study, filled in the questionnaire on behalf of their companies.

Due to the budget and time constraints, the nonexistence of a full list of the companies eligible to adopt IFRS and IFRS for SMEs, and the difficulties in obtaining the consent from the companies to participate in the survey questionnaire, this study used convenience sampling. Thus, the interpretation of the results cannot be generalised beyond the sample. A total of 262 usable samples were obtained from the survey questionnaire interviews. Long (1997) suggested that the sample size lower than 100 should be avoided and 500 observations should be sufficient for most cases of logistic regression. Therefore, the total of 262 samples in this study provides sufficient observations for the three logit models used in this study. The survey was conducted in Phnom Penh city.

The respondents who participated in this study came from different age groups, with the majority of the respondents being 18 to 30 years old. Most of the respondents held a bachelor's degree. The majority of the respondents were educated in Cambodia. The descriptive statistics that described the characteristics of the companies were discussed in Chapter 5. To test the similarities and differences between IFRS adopters and non-adopters, and the probability that the sample companies experienced the same challenges, chi-square tests and independent t-tests were employed.

Further, the study identified the motivations for companies to adopt IFRS. A set of 20 items related to the challenges for IFRS adoption were analysed, using EFA, to reduce the 20 items to a smaller set of factors. EFA analysed and produced four challenging factors in adopting IFRS, and these were used as the independent variables in the empirical models. Logistic regression was used to estimate the effect of the independent variables (companies' characteristics, challenges, industry type) on IFRS adoption and the extent of the effects on IFRS adoption.

7.3 Summary of the Major Findings

The majority of the companies that participated in this study were non-publicly accounting companies. More than two third of non-adopters were non-publicly accounting companies, while just under two third of the adopters were non-publicly accounting companies. The majority of companies participating in this study were non-listed companies. The descriptive statistics showed that two thirds of the IFRS adopters were non-listed companies; likewise, the majority of IFRS non-adopters were also non-listed companies. In addition, more than half of IFRS adopters were audited by one of the Big 4 audit firms, while the majority of IFRS non-adopters did not have their financial statements audited.

Regarding the size of the companies that participated in this study, particularly for size as measured by the total sales, the descriptive statistics showed that about one-fourth of the companies that participated in this study had total sales of more than four billion riels (more than one million US dollars). Almost half of the IFRS adopters had total sales of more than four billion riels, while almost half of the non-adopters had total sales of lower than 250 million riels (less than $US62,500). Further, one-third of the participating companies in this study had more than 100 employees. The descriptive statistics show that more than half of IFRS adopters had more than 100 employees, while only one-fourth of the non-adopters had more than 100 employees.

More than two thirds of the participants believed that accounting standards were important for their companies. Regarding the motivation to adopt IFRS, the majority of IFRS adopters believed that IFRS helped to enhance their companies' legitimacy, while about two thirds of the adopters believed that IFRS was a proof of transparency for their companies.

Four factors were extracted from the EFA, which explained that 61.53 per cent of the variation in the items measured challenges from the survey questionnaire. The four factors included the readiness of the companies to adopt IFRS, confusion with other regulatory requirements, valuation of accounting items, and lack of enforcement of IFRS. These four factors, together with companies' characteristics and industry type, were tested in the empirical analysis to determine their influence on IFRS adoption.

An econometric method was employed in Chapter 6 to estimate the impact of various factors on IFRS adoption. A series of the hypotheses developed in Chapter 1 tested the impact of companies' characteristics, challenges, and industry type on IFRS adoption. Ten hypotheses were divided into three areas to answer the three research questions. The first group of hypotheses were designed to test the companies' characteristics in Model 1:

> **H1:** There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of company size as measured by the number of employees.
>
> **H2**: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of company size as measured by current assets.
>
> **H3:** There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of company size as measured by total sales.

H4: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of the company's listing status

H5: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of the company's accounting training offered to employees.

H6: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of the company's foreign ownership status.

H7: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of company auditor type.

H8: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of the company's foreign trade status.

The impact of the challenges and the industry type on IFRS adoption in Models 2 and 3 were tested as follows:

H9: There is no relationship between IFRS adoption and the challenges from IFRS adoption.

H10: There is no significant difference in the publicly and non-publicly accounting companies' IFRS adoption in terms of industry type.

Table 7.1 presents the results of the hypotheses tests.

Table 7-1 Summary of the Hypotheses Tests

Hypothesis	Reject the Null Hypothesis	Fail to Reject the Null Hypothesis
H1		√
H2		√
H3	√	
H4		√
H5	√	
H6	√	
H7		√
H8		√
H9	√	
H10	√	

To examine the factors that influenced IFRS adoption in Cambodia, three logit models were used in the empirical analysis. Model 1 focused on the impact of the companies' characteristics on IFRS adoption. Model 2 investigated the impact of challenges for IFRS adoption, while

Model 3 examined the effect of industry type on IFRS adoption. The significant factors of each model are presented in Table 7.2.

Table 7-2 Summary of Significant Factors that Affect the Companies' IFRS Adoption

Companies' Characteristics Model 1		**Challenges Model 2**		**Industry Types Model 3**	
sizeemployee	NS (-)	*sizeemployee*	NS (-)	*sizeemployee*	NS (-)
sizecurrenasset	NS (-)	*sizecurrenasset*	NS (-)	*sizecurrenasset*	NS (-)
sizesale	S (+)	*sizesale*	S (+)	*sizesale*	S (+)
lst	NS (+)	*lst*	S (+)	*lst*	NS (+)
trn	S (+)	*trn*	S (+)	*trn*	S (+)
foro	S (+)	*foro*	S (+)	*foro*	S (+)
aud	NS (+)	*aud*	NS (+)	*aud*	NS (+)
fort	NS (-)	*fort*	NS (+)	*fort*	NS (+)
		ready	S (-)	*arg*	Omitted
		confus	S (-)	*manu*	NS (-)
		val	S (-)	*util*	NS (-)
		enforce	NS (-)	*cons*	S (+)
				trad	NS (-)
				hotel	S (+)
				trans	S (+)
				tele	S (+)
				fin	S (-)
				edu	S (+)
				heal	Omitted
				tour	Omitted
				other	Omitted

In Model 1, some of the companies' characteristics were significant, and some were not. The following are summaries of the companies' characteristics that influence IFRS adoption.

- Company size as measured by total sales is positive and significant. This implies that the larger companies are more likely to adopt IFRS than smaller companies in terms of the size of total sales.
- Training has a significant and positive impact on IFRS adoption. The finding shows that the sample companies that provided accounting training to their employees are more likely to adopt IFRS in comparison to the sample companies that did not.
- Foreign ownership is positive and significant. This implies that the companies owned partially or fully by foreigner(s) are more likely to adopt IFRS.
- There is no significant relationship between size, as measured by the number of employees, size as measured by current assets, listing status, auditor type, foreign trading and IFRS adoption.
- Overall, this study has identified three company characteristics that impacted on IFRS adoption among the sample companies.

In Model 2, the challenges of IFRS were examined. The challenges of IFRS significantly impacted IFRS adoption at different significant levels, and the findings are summarised as follows:

- The companies' readiness to adopt IFRS is significant and negative. The companies' readiness to adopt IFRS refers to the incapacity of the companies in terms of the availability of skilled staff to carry out the accounting duties in accordance with IFRS, and also the financial incapacity to cover the cost of IFRS adoption. This empirical findings indicates that the sampled companies that faced difficulties in terms of the readiness to adopt IFRS are less likely to adopt IFRS.
- The factor that significantly influenced IFRS adoption is confusion with other regulatory requirements. The confusion between IFRS and other regulatory requirements for financial reporting in Cambodia includes the differences between the tax basis accounting and IFRS. This study confirms the report by Barnett (2016) that tax basis accounting and IFRS were different. This implies that the sample companies that face difficulties in terms of confusion between IFRS and other regulatory requirements are less likely to adopt IFRS.
- Valuation of accounting items refers to the difficulties that companies face in terms of valuing some accounting items in assets and liabilities. The valuation of accounting items has a significant and negative impact on IFRS adoption. This means that the sample companies that face difficulties in determining the value of accounting items are less likely to adopt IFRS.
- There is no significant relationship between the lack of enforcement and IFRS adoption.
- Overall, the challenges of IFRS adoption, confusion between IFRS and other regulatory requirements have the most impact on IFRS adoption as this factor exhibited the highest marginal effect compared to the other two factors. However, the impact of the challenges on IFRS adoption is still relatively low compared to the impact of the companies' characteristics on IFRS adoption.

Finally, the study investigated the effects of industry type on IFRS adoption in Model 3. The financial industry is significantly influenced by IFRS adoption while the rest of the industry is not. The findings are summarised as follows:

- The financial industry has a significant and negative relationship with IFRS adoption. This implies that the sampled companies that operate in the financial industry are less likely to adopt IFRS. This result contradicts previous studies by Edeigba (2017) and Jones and

Higgins (2006), who found that companies from the financial industry were more likely to adopt IFRS. This contradictory result may be due to the specific case in Cambodia at the time of conducting the study in that the financial industry was granted permission to postpone IFRS implementation until 2019.

7.4 Contribution/Implications of the Study

There was a lack of research on IFRS adoption in Cambodia. The findings of this study contribute to the theoretical and practical accounting research literature and accounting practices. This study was the first empirical study in Cambodia and one of the few conducted in developing countries that investigated the impact of companies' characteristics, challenges, and effect of industry on IFRS adoption. The findings of this study provided useful information to support accounting regulators to monitor the IFRS adoption, determine the effective IFRS adoption strategies, and formulate accounting policies. The results of this study also contributed to the preparers of financial statements in making decisions related to IFRS adoption and preparing for IFRS adoption. Further, the findings of this study provided useful information related to the challenges for future IFRS adopting countries to consider.

7.4.1 Theoretical Implications

Previous studies used different measures of size to estimate the effect of companies' size on accounting standards adoption. This study confirmed that size, as measured by total sales, can estimate the effect of IFRS adoption better than current assets and number of employees. This study was one of the few that tested the effect of training and foreign ownership on IFRS adoption, and the results of this study confirmed previous findings that training (Uyar et al., 2016) and foreign ownership (Bova & Pereira, 2012; Uyar et al., 2016) have significant and positive impacts on IFRS adoption.

Further, this study identified three challenges of IFRS adoption in Cambodia: the companies' readiness to adopt IFRS, confusion with other regulatory requirements, and valuation of accounting items. The findings of this study confirmed the report of Barnett (2016) that the lack of skilled staff, costs, and tax compliance were challenges that impacted on IFRS adoption in Cambodia.

This study further investigated the impact of industry type on IFRS adoption. Surprisingly, the sample companies from the financial industry are less likely to adopt IFRS. This result contradicts previous studies (Ball, 2016; Edeigba, 2017; Hashemi, 2016; Idemudia, 2013; Jaafar

& McLeay, 2007; Wachi, BAC, 2011a, as cited in Tsunogaya et al., 2015). The effect of the postponement of the implementation of IFRS for the financial industry at the request of NBC could influence the decision of companies about whether to adopt or not to adopt IFRS. This also indicates the role of lobby groups on IFRS adoption, as the NBC requested NAC to delay the implementation of IFRS for banks, microfinance institutions, and insurance companies.

7.4.2 Practical/Policy Implications

The study findings provide useful information to both for the preparers of financial statements and accounting regulators. To the preparer of financial statements, this study shows that the sampled companies that provide accounting training are more likely to adopt IFRS standards. Therefore, the companies that plan to adopt IFRS should provide accounting training to their staff to ensure they are capable of carrying out accounting duties when the companies adopt IFRS. The accounting regulators should also provide accounting training to both publicly accounting and non-publicly accounting companies at an affordable cost, and encourage companies to send their employees for accounting training. Thus, the companies' employees will be more capable of performing their duties relating to IFRS accounting issues.

The accounting regulators should investigate the differences in the tax basis of accounting and IFRS to reduce the difficulties of the companies in complying with IFRS. Lastly, the results showed that companies with a foreign owner(s) were more likely to adopt IFRS. This can be explained by Bova and Pereira's (2012) study that foreign investors believed that IFRS improved companies' monitoring and reduced information asymmetries. Therefore, the accounting regulators should focus on the factors that encouraged foreign owned companies to adopt IFRS and use that to formulate policies to promote IFRS adoption among the local companies in Cambodia.

7.5 Limitations of the Study

There were some limitations of this study related to the survey data. The limitations are summarised as follows:

- This study used a convenience sampling method. Preparers of financial statements were invited to attend seven accounting seminars conducted by the NAC and the FASMEC, who had been contacted based on the lists from the NAC. These lists could be biased for excluding companies that did not participate in the seminars and companies that were not on the NAC list.

- The respondents' failure to complete the questionnaire was another limitation. More than half of the returned questionnaires were incomplete. This could be partially due to the fact that the questionnaire was too long and so it took a long time to complete, which resulted in this study only collecting 262 samples. This was less than the 385 companies needed, based on Cochran's (1977) formula. The smaller sample size affected the representation of the samples to the population; thus, it also affected the interpretation of the findings.

7.6 Future Research Opportunities

- This study combined IFRS and IFRS for SMEs adoption into one sample. Future research could divide the sample into IFRS and IFRS for SMEs and re-estimate the empirical analysis as follows: full sample (consisting of both IFRS and IFRS for SMEs adoption and subsamples (IFRS) and (IFRS for SMEs). IFRS and IFRS for SMEs have similarities and differences. According to IASB, certain groups of entities do not need to use parts of the IFRS Standards, so a simpler version of IFRS was created; namely, IFRS for SMEs. IFRS for SMEs uses basic principles and accounting definitions derived from IFRS Standards, and the parts of financial statements were also similar to IFRS Standards. However, there were some differences between the two standards in terms of the treatment of accounting items, such as long-term non-financial assets, borrowing costs, inventory, financial instruments, consolidated financial statements, deferred taxes, and employee benefits. IASB attempted to make it easier for small and medium-sized entities by eliminating this complication, and also costs and time-consuming options (Wegmann, 2009). Therefore, the challenges of IFRS and IFRS for SMEs adoption could be different.
- This study showed a negative and significant relationship between IFRS adoption and the financial industry. Future studies could exclusively focus on IFRS adoption by companies in the financial industry to determine the impact of different factors on IFRS adoption. Future studies could also investigate the impact of IFRS adoption following the new implementation date in 2019.

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Appendix A

Correlation Matrix of EFA for Challenges of IFRS adoption

Variables	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	1.000	0.111	0.091	0.054	-0.058	0.170	0.110	0.118	0.095	0.106	0.107	0.207	0.202	0.223	0.096	0.158	0.113	0.020	0.079	0.098
2		1.000	0.226	0.232	0.221	0.219	0.087	0.094	0.047	0.229	0.150	0.316	0.337	0.224	0.287	0.218	0.123	0.223	0.208	0.363
3			1.000	0.757	0.626	0.503	0.355	0.532	0.428	0.513	0.514	0.449	0.414	0.422	0.422	0.397	0.445	0.523	0.479	0.333
4				1.000	0.720	0.544	0.403	0.554	0.409	0.507	0.519	0.390	0.448	0.379	0.364	0.422	0.437	0.515	0.490	0.432
5					1.000	0.450	0.426	0.448	0.288	0.504	0.477	0.352	0.383	0.352	0.357	0.375	0.357	0.450	0.400	0.337
6						1.000	0.501	0.529	0.428	0.565	0.521	0.355	0.348	0.381	0.251	0.385	0.407	0.514	0.480	0.388
7							1.000	0.378	0.314	0.345	0.398	0.140	0.123	0.275	0.180	0.251	0.287	0.286	0.285	0.234
8								1.000	0.635	0.495	0.512	0.350	0.312	0.254	0.247	0.430	0.547	0.512	0.386	0.275
9									1.000	0.609	0.575	0.210	0.229	0.262	0.219	0.402	0.491	0.459	0.305	0.178
10										1.000	0.671	0.393	0.430	0.346	0.271	0.441	0.386	0.577	0.437	0.274
11											1.000	0.405	0.388	0.316	0.274	0.438	0.348	0.485	0.480	0.319
12												1.000	0.855	0.520	0.489	0.407	0.237	0.365	0.366	0.390
13													1.000	0.485	0.495	0.400	0.280	0.428	0.317	0.393
14														1.000	0.542	0.447	0.307	0.275	0.281	0.388
15															1.000	0.473	0.281	0.436	0.426	0.317
16																1.000	0.423	0.391	0.408	0.468
17																	1.000	0.552	0.399	0.327
18																		1.000	0.668	0.352
19																			1.000	0.530
20																				1.000

Variables

1 The enforcement of IFRS is low
2 The management of my company is not interested in adopting IFRS
3 It is difficult to understand the procedures in applying IFRS
4 It is difficult to understand IFRS accounting policies
5 It is difficult to calculate the accounting values
6 My company has to change the Information Technology (IT) system to suit IFRS
7 My company has to implement the appropriate internal control systems with IFRS
8 Staff knowledge and experience of IFRS is limited
9 IFRS increases the staff training needs
10 The costs of adoption are high
11 IFRS adoption increases the costs of producing financial statements
12 It is difficult to forecast the future cash flow from IFRS or financial statement
13 It is difficult to forecast profitability
14 IFRS is inconsistent with tax regulation requirements
15 My company needs to prepare a new set of financial statement for taxation purposes
16 IFRS increases my company taxes
17 There is a lack of implementation guidelines from the accounting regulator
18 IFRS translation is difficult to understand
19 IFRS contains expressions that lack clarity
20 Conflicts of interest between management and stakeholders

Appendix B

Collinearity Diagnostics for the Independent Variables

Model 1			Model 2			Model 3		
Variables	Tolerance	VIF	Variables	Tolerance	VIF	Variables	Tolerance	VIF
sizeemployee			sizeemployee			sizeemployee		
2	0.503	1.99	2	0.534	1.87	2	0.488	2.05
3	0.508	1.97	3	0.494	2.02	3	0.478	2.09
4	0.246	4.07	4	0.243	4.11	4	0.230	4.35
sizecurren~t			sizecurren~t			sizecurren~t		
2	0.473	2.12	2	0.463	2.16	2	0.448	2.23
3	0.551	1.82	3	0.540	1.85	3	0.539	1.86
4	0.231	4.33	4	0.228	4.38	4	0.196	5.11
sizesale			sizesale			sizesale		
2	0.595	1.68	2	0.579	1.73	2	0.570	1.75
3	0.526	1.90	3	0.502	1.99	3	0.500	2.00
4	0.610	1.64	4	0.580	1.72	4	0.575	1.74
5	0.266	3.75	5	0.245	4.08	5	0.252	3.96
lst	0.717	1.40	lst	0.688	1.45	lst	0.693	1.44
trn	0.789	1.27	trn	0.719	1.39	trn	0.746	1.34
foro	0.800	1.25	foro	0.763	1.31	foro	0.726	1.38
aud	0.541	1.85	aud	0.528	1.89	aud	0.450	2.22
fort	0.805	1.24	fort	0.721	1.39	fort	0.736	1.36
			ready	0.929	1.08	arg	0.753	1.33
			confus	0.849	1.18	manu	0.404	2.48
			val	0.923	1.08	util	0.668	1.50
			enforce	0.890	1.12	cons	0.479	2.09
						trad	0.435	2.30
						hotel	0.659	1.52
						tele	0.591	1.69
						fin	0.710	1.41
						edu	0.258	3.88
						heal	0.732	1.37
						tour	0.892	1.12
						other	0.891	1.12

A Dependent Variables: Has your company complied with IFRS mandatory adoption?

Appendix C

Survey Instrument

Lincoln University
Te Whare Wānaka o Aoraki
CHRISTCHURCH•NEW ZEALAND

Faculty of Agribusiness and Commerce

T 64 3 423 0000
PO Box 85084, Lincoln University
Lincoln 7647, Christchurch
New Zealand
www.lincoln.ac.nz

October 3rd, 2018

Dear Sir/Madam:

You are invited to participate in a survey that constitutes part of my Masters thesis at Lincoln University, New Zealand. This is a part of my research project entitled, ***An Empirical Assessment of International Financial Reporting Standards Adoption (IFRS) in Cambodia***. The purpose of this research is to assess the IFRS adoption in Cambodia by investigating the challenges and influence of the industry on the firms' decisions to adopt IFRS Standards.

You are randomly selected as a possible participant from the list of establishments from the National Institute of Statistics provided for educational and research purposes only. Your contact details are obtained from business directories, such as, the Cambodian Yellow Page and Superpages.

This research is completely voluntary in nature and you are free to decide not to participate at any time during the process of completing the questionnaire, including the withdrawal of any information you have provided. However, if you complete the questionnaire and return to me, it will be understood that you are 18 years of age or older, have consented to participate in this survey and have consented to publication of the results of this research with the understanding that anonymity will be preserved. When you have completed the questionnaire, please contact the research assistant, researcher (the contact detail provided below), and we will arrange the time to take the questionnaire back from you.

Your participation is of great assistance to this research. This survey will take maximum 35 minutes to complete. I would be grateful if you would complete the questionnaire and return it to me once you have finished.

Complete anonymity is assured in this survey, as the questionnaire is anonymous. No questions are asked which would identify you as an individual or identify your business. All responses will be aggregated from the analysis only, and no personal details or company details will be reported in the thesis or any resulting publications. Your business will not have access to your individual responses.

If you have any questions about this survey, please feel free to contact me (64)-22-364-1451, (855)-69-333-550, (855)-17-321-461 or by email at Sophanith.Lay@lincolnuni.ac.nz.
You can also contact my supervisors Professor Christopher Gan, (64)-3-423-0227 or Christopher.Gan@lincoln.ac.nz and my Associate Supervisor, Dr. Carol Cheong, (64)-3-423-

0289 or Carol.Cheong@lincoln.ac.nz. This project has been reviewed and approved by the Lincoln University Human Ethics Committee.

Thank you for your kind co-operation and assistance.

Yours Sincerely,

Sophanith Lay
Faculty of Agribusiness and Commerce
Lincoln University

Professor Christopher Gan
Professor in Accounting and Finance
Faculty of Agribusiness and Commerce
Lincoln University

Dr. Carol Cheong
Senior Lecturer
Faculty of Agribusiness and Commerce
Lincoln University

Challenges in CIFRS and CIFRS for SMEs Adoption

For each question with answer brackets, please tick (√) the reply that most closely matches your own. Otherwise, please follow the instructions given to respond to the question. Only summary measures and conclusions from this survey will be reported. **Your participation is voluntary and anonymous; all of your answers will be kept strictly confidential**.

Section 1. General Information about CIFRS Adoption (for all respondents)

1. Is Cambodia International Financial Reporting Standards (CIFRS) mandatory for your company?
   1) Yes [ ] (Please go to Question 3)
   2) No [ ] (Please continue to Question 2)
   3) Don't know [ ] (Please continue to Question 2)

2. Is Cambodia International Financial Reporting Standards for SMEs (CIFRS for SMEs) mandatory for your company?
   1) Yes [ ] (Please continue to Question 3)
   2) No [ ] (Please continue to Question 3)
   3) Don't know [ ] (Please continue to Question 3)

3. To what extent do you consider accounting standards important to your company?
   1) Very important [ ]
   2) Somewhat important [ ]
   3) Not important at all [ ]

4. Below is a series of statement about your perceptions of CIFRS adoption. Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree and 5 = strongly agree.

Your Perception of CIFRS Adoption						
	SD		**Neutral**		**SA**	**Don't Know**
4.1 The increasing international adoption of CIFRS that has happened in recent years has made adoption of CIFRS by businesses of all kinds inevitable	1	2	3	4	5	6
4.2 Most companies complied with CIFRS adoption because of fear of being penalized by the law enforcement	1	2	3	4	5	6
4.3 CIFRS helps to eliminate financial risk in investment	1	2	3	4	5	6
4.4 CIFRS adoption enhances transparency, reliability and relevance of financial statement globally	1	2	3	4	5	6
4.5 Family owned companies are most likely to avoid adoption of CIFRS	1	2	3	4	5	6
4.6 Harmonization of accounting standards eliminate restatement of financial statements by Cambodian companies doing business abroad	1	2	3	4	5	6
4.7 The best way to adopt CIFRS is to adopt all (17 standards) CIFRS at once for all companies in Cambodia	1	2	3	4	5	6
4.8 Adoption of CIFRS will eliminate differences in financial statement content from similar companies	1	2	3	4	5	6
4.9 Companies with no accountants qualified in CIFRS procedures and policies are most likely to reject CIFRS	1	2	3	4	5	6

5. Does your company have an accountant qualified in (or understand) CIFRS procedures and policies?
   1) Yes [ ]
   2) No [ ]

6. Please circle how concerned you are about the harmonization of international accounting standards on a scale of 1 to 5, with 1= very concerned and 5 = not concerned at all

	VC		Neutral		NC	Don't Know
6.1 CIFRS is inconsistent with Cambodian business environment	1	2	3	4	5	6
6.2 CIFRS is inconsistent with Cambodian business culture	1	2	3	4	5	6
6.3 There is an absence of practicality in financial statement content	1	2	3	4	5	6
6.4 The enforcement of CIFRS is low	1	2	3	4	5	6

7. How likely will your company engage in selecting accounting standards that best increase your company's financial performance indicators against the ones that does not increase your company's financial performance indicators following CIFRS adoption?

   1) Very likely to select accounting standards that increases financial performance indicators [ ]
   2) Somewhat likely to select accounting standards that increases financial performance indicators [ ]
   3) Not likely to select accounting standards that increases financial performance indicators [ ]
   4) I don't know

8. Please circle how concerned you are about the adoption of CIFRS on a scale of 1 to 5, with 1 = very concerned (VC) and 5 = not concerned at all (NC)

	VC		Neutral		NC	Don't Know
8.1 Loss of national sovereignty on accounting practice in Cambodia	1	2	3	4	5	6
8.2 Level of CIFRS disclosure requirements	1	2	3	4	5	6
8.3 Changes in CIFRS policies and procedures	1	2	3	4	5	6
8.4 Available of CIFRS experts	1	2	3	4	5	6
8.5 CIFRS Accounting Valuation	1	2	3	4	5	6
8.6 Changes in your company's financial performance	1	2	3	4	5	6
8.7 Increase in cost of financial statement production	1	2	3	4	5	6
8.8 Stakeholders' ability to understand your financial statements	1	2	3	4	5	6
8.9 Increase in company taxes	1	2	3	4	5	6

9. How likely will your company's competitor engage in selecting accounting standards that best increase financial performance indicators against the ones that does not increase financial performance indicators following CIFRS adoption?
   1) They are very likely to select accounting standards that increases financial performance indicators [ ]
   2) They are somewhat likely to select accounting standards that increases financial performance indicators [ ]

3) They are not likely at all to select accounting standards that increases financial performance indicators [ ]
4) I don't know

10. The following statements are about your motivation to adopt CIFRS. Please circle how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree (SD) and 5 = strongly agree (SA)

	SD		Neutral		SA	Don't Know
10.1 My company will adopt CIFRS because managers' incentive will increase as profit on financial statement increases following CIFRS adoption	1	2	3	4	5	6
10.2 The adoption of CIFRS will increase the financial performance indicators of my company	1	2	3	4	5	6
10.3 Stakeholders have more confidence in my company's solvency since the adoption of CIFRS in Cambodia	1	2	3	4	5	6
10.4 In an internationalization context, adoption of CIFRS will provide more business opportunities to my company	1	2	3	4	5	6
10.5 The level of compliance with CIFRS in the financial statements will increase the prestige of my company	1	2	3	4	5	6
10.6 Adoption of CIFRS eliminates the restatement of my company's financial statements when doing business abroad	1	2	3	4	5	6
10.7 Adoption of CIFRS reduces my company's cost of raising capital	1	2	3	4	5	6
10.8 Adoption of CIFRS will numerically increase my company's market liquidity	1	2	3	4	5	6
10.9 My company uses CIFRS for transparent strategic financial reporting	1	2	3	4	5	6

11. The following statements are about your deterrent to adopt CIFRS. Please circle how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree (SD) and 5 = strongly agree (SA)

	SD		Neutral		SA	Don't Know
11.1 CIFRS are likely to lead my company to financial insolvency	1	2	3	4	5	6
11.2 My company dislikes CIFRS because CIFRS have negative effects on my company's financial indicators	1	2	3	4	5	6
11.3 It is difficult for my company to forecast future results from CIFRS financial statements	1	2	3	4	5	6
11.4 CIFRS require high cost of training for accounting personnel in my company	1	2	3	4	5	6
11.5 It is difficult for my company to estimate effective internal control systems with CIFRS adoption	1	2	3	4	5	6
11.6 It is difficult for my company investors to understand CIFRS because CIFRS require too much disclosure	1	2	3	4	5	6
11.7 Changes in CIFRS procedures and policies are a problem for my company	1	2	3	4	5	6
11.8 The management of my company is not interested in adopting CIFRS	1	2	3	4	5	6

12. What type of business is your company?
    1) Publicly accountable companies [ ]
    2) Non- publicly accountable companies [ ]
13. Have your company complied with CIFRS mandatory adoption?
    1) Yes [ ] (Please continue to **Section 2** for publicly accountable companies or please go to **Section 3** for Non-publicly accountable companies)

2) No [ ] (Please go to **Section 4**)

Section 2. Questions on CIFRS

For Publicly accountable companies such as listed companies or in the process of listing in Cambodia or abroad, banks, microfinance institutions, insurance companies, securities brokers/dealer, pension fund, mutual fund, and investment bank

1. Does your firm use CIFRS standard in 2018?
   1) Yes [ ] (Please continue to Question 2)
   2) No [ ] (Please go to **Section 3**)

2. When did your firm adopt CIFRS?
   1) Before 2010 [ ]
   2) 2011 [ ]
   3) 2012 [ ]
   4) 2013 [ ]
   5) 2014 [ ]
   6) 2015 [ ]
   7) 2016 [ ]
   8) 2017 [ ]
   9) 2018 [ ]
   10) Other *(please specify)* _____

3. How did you know CIFRS are mandatory in Cambodia?
   1) National Accounting Council (NAC) [ ]
   2) Parents companies [ ]
   3) Subsidiary company [ ]
   4) Other(s) *(please specify)* _____

4. Why did your company comply with CIFRS adoption? *(Tick all that apply)*
   1) To attract foreign investors [ ]
   2) Concerned about being penalized by accounting regulators [ ]
   3) It provides financial benefits to my company [ ]
   4) It provides non-financial benefits to my company [ ]
   5) It enhances my company's legitimacy [ ]
   6) It eases the cost of raising capital internationally [ ]
   7) It provides the opportunity to be listed on the International Stock Market [ ]
   8) It is a proof of transparency in my company [ ]
   9) It increases my company's financial performance indicators [ ]
   10) It is the best determinant of my company's financial performance [ ]
   11) CIFRS accounting value is more value relevant than other accounting standards[ ]
   12) Other(s) *(Please specify)* _____

5. The following statements are about the difficulties that your company encountered in complying with CIFRS adoption. Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree and 5 = strongly agree.

	SD		**Neutral**		**SA**	**Don't Know**

5.1 It is difficult to understand the procedures in applying CIFRS	1	2	3	4	5	6
5.2 It is difficult to understand CIFRS accounting policies	1	2	3	4	5	6
5.3 It is difficult to calculate the accounting values	1	2	3	4	5	6
5.4 My company has to change the Information Technology (IT) system to suit CIFRS	1	2	3	4	5	6
5.5 My company has to implement the appropriate internal control systems with CIFRS	1	2	3	4	5	6
5.6 The staff knowledge and experience of CIFRS is limited	1	2	3	4	5	6
5.7 CIFRS increases the staff training needs	1	2	3	4	5	6
5.8 The costs of adoption is high	1	2	3	4	5	6
5.9 CIFRS adoption increases in cost of producing financial statements	1	2	3	4	5	6
5.10 It is difficult to forecast the future cash flow from CIFRS or financial statement	1	2	3	4	5	6
5.11 It is difficult to forecast profitability	1	2	3	4	5	6
5.12 CIFRS is inconsistent with tax regulation requirements	1	2	3	4	5	6
5.13 My company needs to prepare new set of financial statement for taxation purpose	1	2	3	4	5	6
5.14 CIFRS increases my company taxes	1	2	3	4	5	6
5.15 There is lack of implementation guideline from accounting regulator	1	2	3	4	5	6
5.16 CIFRS translation is difficult to understand	1	2	3	4	5	6
5.17 CIFRS contains expressions that lack clarity	1	2	3	4	5	6
5.18 Conflict of interest between management and stakeholders	1	2	3	4	5	6

6. The following are a series of questions about your experience in applying CIFRS in your company. Please CIRCLE the answer on a scale of 1 to 5, with 1 = never, 2 = rarely, 3 = Sometimes, 4= often and 5 = always.

	N	**R**	**S**	**O**	**A**	**Don't Know**
6.1 How often do you need to consult with other resources, such as manuals provided by employers, consultation with other staffs, etc., when applying CIFRS?	1	2	3	4	5	6
6.2 Do you think different professional accountants will always reach the same judgment on a specific scenario under the guideline of CIFRS	1	2	3	4	5	6
6.3 Have you ever been in disagreement with your colleagues when deciding which alternative treatment given by CIFRS is the most appropriate to employ in a particular scenario?	1	2	3	4	5	6

7. Which of the following accounting professional provides your company with assistance or guidance when converting to CIFRS?
   1) External auditors to my company [ ]
   2) Company staff [ ]
   3) Other(s) *(Please specify)* _____

8. Did you receive any help from accounting regulators on how to adopt CIFRS to your company?
   1) Yes [ ]
   2) No [ ]

9. Was the transition period for your company to adopt CIFRS adequate?
   1) Yes [ ]

2) No [ ]

10. What has been (or will be) included in assessing the impact of CIFRS adoption on your company performance? *(Tick all that apply)*
    1) Procedure in applying CIFRS to financial statements preparation [ ]
    2) Effect on company's taxes [ ]
    3) Changes in accounting policies [ ]
    4) Impact on financial statements [ ]
    5) Effects on financial performance indicators [ ]
    6) Effects on Information Technology (IT) System [ ]
    7) Effects on the management accounting system [ ]
    8) Effects on internal control system and the documentation produced [ ]
    9) Staff training needs [ ]
    10) Costs involved [ ]
    11) Reactions of main business partners [ ]
    12) Level of disclosure requirements [ ]
    13) Other(s) *(Please specify)* _____
11. Which of the followings CIFRS adoption factor(s) has affected your company's financial reporting? *(Tick all that apply)*
    1) Changes in my company's accounting system [ ]
    2) Increases company's taxes [ ]
    3) Changes my company's financial policies [ ]
    4) Increases in financial statements performance indicators [ ]
    5) Requires new Information Technology (IT) system [ ]
    6) Changes in the management strategic financial reporting [ ]
    7) Causes complexity in the internal control system [ ]
    8) Increases staff training needs [ ]
    9) Increases costs of preparing financial statements [ ]
    10) Increases stakeholders' demand for financial statements Interpretations [ ]
    11) Increases level of disclosure [ ]
    12) Other(s) *(please specify)* _____
12. How did CIFRS adoption affect your company's financial reporting system? *(Tick all that apply)*
    1) Contradicts different accounting regulator's legal disclosure requirements [ ]
    2) Contradicts my company's measurement and valuation requirements [ ]
    3) Requires restatement of financial statements for different legal requirements [ ]
13. Did the level of knowledge about CIFRS contribute to your decision to adopt CIFRS?
    1) Yes [ ]
    2) No [ ]
14. Have any accounting regulators rejected your financial statements based on the accounting standards your firm uses?
    1) Yes [ ]
    2) No [ ]

Please go to Section 5 (Demographic Characteristics of Respondents)

Section 3: Questions on CIFRS for SME

1. Does your firm use CIFRS for SMEs standard in 2018?
    1) Yes [ ] (Please continue to Question 2)
    2) No [ ] (Please go to **Section 4**)

2. When did your firm adopt CIFRS for SMEs?
   1) Before 2010 [ ]
   2) 2011 [ ]
   3) 2012 [ ]
   4) 2013 [ ]
   5) 2014 [ ]
   6) 2015 [ ]
   7) 2016 [ ]
   8) 2017 [ ]
   9) 2018 [ ]
   10) Other *(Please specify)* _____

3. How did you know CIFRS for SMEs are mandatory in Cambodia?
   3) National Accounting Council (NAC) [ ]
   4) Parents companies [ ]
   5) Subsidiary company [ ]
   6) Other(s) *(Please specify)* _____

4. Why did your company comply with CIFRS for SMEs adoption? *(Tick all that apply)*
   1) To attract foreign investors [ ]
   2) Concerned about being penalized by accounting regulators [ ]
   3) It provides financial benefits to my company [ ]
   4) It provides non-financial benefits to my company [ ]
   5) It enhances my company's legitimacy [ ]
   6) It eases the cost of raising capital internationally [ ]
   7) It provides the opportunity to be listed on the International Stock Market [ ]
   8) It is a proof of transparency in my company [ ]
   9) It increases my company's financial performance indicators [ ]
   10) It is the best determinant of my company's financial performance [ ]
   11) CIFRS for SMEs accounting value is more value relevant than other accounting standards [ ]
   12) Other(s) *(Please specify)* _____

5. The following statements are about the difficulties that your company encountered in complying with CIFRS for SMEs adoption. Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree and 5 = strongly agree.

	SD		**Neutral**		**SA**	**Don't Know**
5.1 It is difficult to understand the procedures in applying CIFRS for SMEs	1	2	3	4	5	6
5.2 It is difficult to understand CIFRS for SMEs accounting policies	1	2	3	4	5	6
5.3 It is difficult to calculate the accounting values	1	2	3	4	5	6
5.4 My company has to change the Information Technology (IT) system to suit CIFRS for SMEs	1	2	3	4	5	6
5.5 My company has to implement the appropriate internal control systems with CIFRS for SMEs	1	2	3	4	5	6
5.6 The staff knowledge and experience of CIFRS for SMEs is limited	1	2	3	4	5	6
5.7 CIFRS for SMEs increases the staff training needs	1	2	3	4	5	6
5.8 The costs of adoption is high	1	2	3	4	5	6
5.9 CIFRS for SMEs adoption increases in cost of producing financial statements	1	2	3	4	5	6

5.10 It is difficult to forecast the future cash flow from CIFRS for SMEs or financial statement	1	2	3	4	5	6
5.11 It is difficult to forecast profitability	1	2	3	4	5	6
5.12 CIFRS for SMEs is inconsistent with tax regulation requirements	1	2	3	4	5	6
5.13 My company need to prepare new set of financial statement for taxation purpose	1	2	3	4	5	6
5.14 CIFRS for SMEs increases my company taxes	1	2	3	4	5	6
5.15 There is lack of implementation guideline from accounting regulator	1	2	3	4	5	6
5.16 CIFRS for SMEs translation is difficult to understand	1	2	3	4	5	6
5.17 CIFRS contains expression that lacks clarity	1	2	3	4	5	6
5.18 Conflict of interest between management and stakeholders	1	2	3	4	5	6
5.19 There should be exemptions given in CIFRS for SMEs to make it more cost effective for SMEs	1	2	3	4	5	6
5.20 There are transactions, events or conditions that SMEs engage in that are not covered in CIFRS for SMEs	1	2	3	4	5	6

6. The following are a series of questions about your experience in applying CIFRS for SMEs in your company. Please CIRCLE the answer on a scale of 1 to 5, with 1 = never, 2 = rarely, 3 = sometimes, 4= often and 5 = always.

	N	**R**	**S**	**O**	**A**	**Don't Know**
6.1 How often do you need to consult with other resources, such as manuals provided by employers, consultation with other staffs, etc., when applying CIFRS for SMEs?	1	2	3	4	5	6
6.2 Do you think different professional accountants will always reach the same judgment on a specific scenario under the guideline of CIFRS for SMEs	1	2	3	4	5	6
6.3 Have you ever been in disagreement with your colleagues when deciding which alternative treatment given by CIFRS for SMEs is the most appropriate to employ in a particular scenario?	1	2	3	4	5	6

7. Which of the following accounting professional provides your company with assistance or guidance when converting to CIFRS for SMEs?
   1) External auditors to my company [ ]
   2) Company staff [ ]
   3) Other(s) *(Please specify)* _____

8. Did you receive any help from accounting regulators on how to adopt CIFRS for SMEs to your company?
   1) Yes [ ]
   2) No [ ]

9. Was the transition period for your company to adopt CIFRS for SMEs adequate?
   1) Yes [ ]
   2) No [ ]

10. What has been (or will be) included in assessing the impact of CIFRS for SMEs adoption on your company performance? *(Tick all that apply)*
    1) Procedure in applying CIFRS for SMEs to financial statements preparation [ ]
    2) Effect on company's taxes [ ]
    3) Changes in accounting policies [ ]
    4) Impact on financial statements [ ]
    5) Effects on financial performance indicators [ ]

6) Effects on Information Technology (IT) System [ ]
7) Effects on the management accounting system [ ]
8) Effects on internal control system and the documentation produced [ ]
9) Staff training needs [ ]
10) Costs involved [ ]
11) Reactions of main business partners [ ]
12) Level of disclosure requirements [ ]
13) Other(s) *(Please specify)* _____

11. Which of the followings CIFRS for SMEs adoption factor(s) has or have affected your company's financial reporting? *(Tick all that apply)*
    1) Changes my company accounting system [ ]
    2) Increases company's taxes [ ]
    3) Changes my company financial policies [ ]
    4) Increases financial statements performance indicators [ ]
    5) Required new Information Technology (IT) system [ ]
    6) Changes in the management strategic financial reporting [ ]
    7) Causes complexity in the internal control system [ ]
    8) Increases staff training needs [ ]
    9) Increases costs of preparing financial statements [ ]
    10) Increases stakeholders' demand for financial statements Interpretations [ ]
    11) Increases level of disclosure [ ]
    12) Other(s) *(please specify)* _____
12. How did CIFRS for SMEs adoption affect your company's financial reporting system? *(Tick all that apply)*
    1) Contradicts different accounting regulators legal disclosure requirements [ ]
    2) Contradicts my company's measurement and valuation requirements [ ]
    3) Requires restatement of financial statements for different legal requirements [ ]
13. Did the level of knowledge about CIFRS for SMEs contribute to your decision to adopt CIFRS for SMEs?
    1) Yes [ ]
    2) No [ ]
14. Have any accounting regulators rejected your financial statements with the accounting standards your firm using?
    1) Yes [ ]
    2) No [ ]

Please go to Section 5 (Demographic Characteristics of Respondents)

Section 4: Non-Adopters of CIFRS for both Non-SME and SMEs Firms

1. The following statements are about the reasons that your company do not adopt CIFRS/CIFRS for SMEs. Please CIRCLE how strongly you agree or disagree with each of the following statements on a scale of 1 to 5, with 1 = strongly disagree and 5 = strongly agree.

	SD		Neutral		SA	Don't Know
1.1 It is difficult to understand the procedures in applying CIFRS/CIFRS for SMEs	1	2	3	4	5	6
1.2 It is difficult to understand CIFRS/CIFRS for SMEs accounting policies	1	2	3	4	5	6
1.3 It is difficult to calculate the accounting values	1	2	3	4	5	6

1.4 My company has to change the Information Technology (IT) system to suit CIFRS/CIFRS for SMEs	1	2	3	4	5	6
1.5 My company has to Implement the appropriate internal control systems with CIFRS/CIFRS for SMEs	1	2	3	4	5	6
1.6 The staff knowledge and experience of CIFRS/CIFRS for SMEs is limited	1	2	3	4	5	6
1.7 CIFRS/CIFRS for SMEs will increase the staff training needs	1	2	3	4	5	6
1.8 The costs of adoption are too high	1	2	3	4	5	6
1.9 CIFRS/CIFRS for SMEs adoption increases in cost of producing financial statements	1	2	3	4	5	6
1.10 It will be difficult to forecast the future cash flow from CIFRS/CIFRS for SMEs financial statement	1	2	3	4	5	6
1.11 It will be difficult to forecast profitability	1	2	3	4	5	6
1.12 CIFRS/CIFRS for SMEs is inconsistency with tax regulation requirements	1	2	3	4	5	6
1.13 My company needs to prepare new set of financial statement for taxation purpose	1	2	3	4	5	6
1.14 CIFRS/CIFRS for SMEs will increase my company taxes	1	2	3	4	5	6
1.15 There is lack of implementation guideline from accounting regulator	1	2	3	4	5	6
1.16 CIFRS/CIFRS for SMEs translation is difficult to understand	1	2	3	4	5	6
1.17 CIFRS/CIFRS for SMEs contains expression that lacks clarity	1	2	3	4	5	6
1.18 Conflict of interest between management and stakeholders	1	2	3	4	5	6

2. Do you think CIFRS/CIFRS for SMEs provides relevant accounting value that gives good prediction of future market price?
   1) Yes [ ]
   2) No [ ]

3. What accounting standards do you use to prepare financial statement after the mandatory CIFRS/CIFRS for SMEs adoption date?
   1) Cambodian International Accounting Standard (CIAS) [ ]
   2) Cash accounting [ ]
   3) GAAP [ ]
   4) No standard [ ]
   5) Other *(please specify)* _____

4. Have any accounting regulators rejected your financial statements with the accounting standards you prepared with your answer in question 3?
   1) Yes [ ]
   2) No [ ]

5. To what extent is the current accounting standard practice in your company more important to your company than CIFRS/CIFRS for SMEs?
   1) Very important [ ]
   2) Somewhat important [ ]
   3) Not important at all [ ]

6. When did you assess the impact of CIFRS/CIFRS for SMEs on your company's financial statements?
   1) Before 2010 [ ]
   2) 2010-2012 [ ]
   3) 2013-2015 [ ]
   4) 2016-2018 [ ]

5) Yet to assess [ ]
6) No plan for assessment [ ]

7. How likely are you to adopt CIFRS/CIFRS for SMEs in the next 12 months?
   1) Very likely to adopt [ ] (Please continue to Question 8)
   2) Somewhat likely [ ] (Please continue to Question 8)
   3) Not likely at all [ ] (Please go to Section 5)

8. Which standard will you likely to adopt the next 12 months?
   1) CIFRS [ ]
   2) CIFRS for SMEs [ ]

Please continue to Section 5 (Demographic Characteristics of Respondents)

Section 5: Demographic Characteristics of Respondents (for all Respondents)

1. Is your company subject to statutory audit?
   1) Yes [ ]
   2) No [ ]
   3) I don't know [ ]
2. Which of the following categories defines your company status?
   1) Listed on the Cambodian Stock Exchange only [ ]
   2) Listed on the foreign stock exchange [ ]
   3) Listed on the Cambodian Stock Exchange and the foreign stock exchange [ ]
   4) Never been listed on any stock exchange [ ]
3. Which category does your company belong to?
   1) Family owned [ ]
   2) Non family owned [ ]
   3) Not sure [ ]
4. Is your company owned by or partly by foreigner(s)?
   1) Partially or fully owned by foreigner(s) [ ]
   2) Fully owned by Cambodian [ ]
5. How many shareholders does your company have?
   1) Less than 10 [ ]
   2) 10-20 [ ]
   3) 21-50 [ ]
   4) 51-100 [ ]
   5) Over 100 [ ]
6. Which of the categories defines your company status?
   1) Sole proprietorship [ ]
   2) General Partnership [ ]
   3) Limited partnership [ ]
   4) Private limited company [ ]
   5) Public limited company [ ]
   6) Subsidiary, Branch, or Commercial Representative of a foreign company [ ]
   7) State-owned organization [ ]
   8) Other *(please specify)* _____
7. How many employees do you have in 2017?
   1) 1-10 [ ]
   2) 11-50 [ ]
   3) 51-99 [ ]

4) 100+ [ ]

8. What is the estimated value of your business assets (exclude land)?
   1) Less than 200,000,000 Riel (approximately less than US$ 50,000) [ ]
   2) 200,000,001 Riel – 1,000,000,000 Riel (approximately US$50,001 – US$ 250,000) [ ]
   3) 1,000,000,001 Riel – 2,000,000,000 Riel (approximately US$250,001 – US$ 500,000) [ ]
   4) More than 2,000,000,001 Riel (approximately more than US$ 500,001) [ ]

9. What was your company's revenue in 2017?
   1) 0 Riel – 250,000,000 Riel (approximately US$0 – US$62,500) [ ]
   2) 250,000,001 Riel – 700,000,000 Riel (approximately US$62,501 – US$ 175,000) [ ]
   3) 700,000,001 Riel – 3,000,000,000 Riel (approximately US$175,001 – US$ 750,000) [ ]
   4) 3,000,000,000 Riel – 4,000,000,000 Riel (approximately US$ 750,001 – US$ 1,000,000) [ ]
   5) More than 4,000,000,001 Riel (approximately more than US$ 1,000,001) [ ]

10. Does your company provide CIFRS/CIFRS for SMEs Standards training for employees or fund the employees to train for CIFRS/CIFRS for SMEs Standards?
    1) Yes [ ]
    2) No [ ]

11. Has your company send employee to attend any accounting seminar conducted by NAC?
    1) Yes [ ]
    2) No [ ]
    3) I don't know [ ]

12. Which of the following industry is your company involve in?
    1) Agriculture [ ]
    2) Manufacturing/industrial [ ]
    3) Electricity, gas, water [ ]
    4) Construction/real estate [ ]
    5) Trade [ ]
    6) Hotel, Restaurant [ ]
    7) Transport [ ]
    8) Telecommunication [ ]
    9) Finance [ ]
    10) Education [ ]
    11) Health Care [ ]
    12) Tourism [ ]
    13) Other *(please specify)* _____

13. In the last five years including last year, the auditor of your company was (were)?
    1) The Big4 (KPMG, PricewaterhouseCoopers, Ernst & Young, Deloitte)[ ]
    2) Cambodian local audit firm [ ]
    3) Other international audit firms [ ]
    4) Not have been audited [ ]
    5) Other(s) *(please specify)* _____

14. When was your company established?
    1) Before 1980 [ ]
    2) 1980-1989 [ ]
    3) 1990-1999 [ ]
    4) 2000-2009 [ ]
    5) 2010-2018 [ ]

15. Does your company trade abroad?
    1) Yes [ ]

2) No [ ]

16. Which is your age group?
    1) 18-30 years [ ]
    2) 31-40 years [ ]
    3) 41-50 years [ ]
    4) 51-60 years [ ]
    5) 61 years or more [ ]

17. What is your highest accounting education or professional qualification?
    1) High School [ ]
    2) Associate degree [ ]
    3) Bachelor degree [ ]
    4) Masters degree [ ]
    5) PhD [ ]
    6) CAT (Certified Accounting Technician) [ ]
    7) ACCA/CPA [ ]
    8) Other(s) *(please specify)* _____

18. Which institution granted your qualification?
    1) Domestic Institution [ ]
    2) Foreign institution [ ]
    3) Other(s) *(please specify)* _____

19. What is your job title?
    1) Senior Accountant [ ]
    2) CFO [ ]
    3) Accounting Manager [ ]
    4) Other *(please specify)* _____

Your participation in this survey is greatly appreciated. Thank you for your time and effort. If you have any further comment about CIFRS/CIFRS for SMEs adoption, please feel free to write these in the space provided below. Once again, we assure you that your business's identity will remain **STRICTLY CONFIDENTIAL**.

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